

1923-4.

File No. *G.F. 80-23*

Previous References

G.F. 68-23-3
G.F. 80-23-1 to 10, 12 + 13
G.F. 80-23-11, 14, 16 + 17.

Serial Nos. *18, to 21, 24,*
25, 30, 31, 33, 34 + 35.

Later references.

G.F. 104-28. 12 + 13

G.F. 132-29 (1-3)

G.F. 156-29 (1-9)

Preserved
5.11.63

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. *Eleven.*

Part B for

May 26

SUBJECT

Surplus Revenues of the Assigned Tract
of D. Bangalore.

AP

8/6.

D-110-E

R.R. File No.

80

of 1923.

Serial
No.

No. C.3504-211 dated 1-12-1924.

From The Secretary to the Resident.

Informs that the representations have been forwarded to the Govt. of India and that no reply has yet been received and that it will take another two months before the surplus for 1923-24 is paid.

The Residency reply^x dated 1st December 1924 to our last letter^x dated 12th November 1924 regarding the Civil & Military Station surplus is put up. It is stated that our "representations have been forwarded to the Government of India but that no reply has yet been received". This perhaps means that our recent representation^x dated 12th November 1924 has not been sent to the Government of India and that the Residency is simply awaiting the reply of that Government to our previous representations on the subject. If this is all the action that the Residency takes on our letters, the position is far from satisfactory.

As regards our proposals that the arrears due for the year 1922-23 and the surplus due for the year 1923-24 should be paid to us before the first instalment of the subsidy falls due next month, the Residency letter^x states that "the Station accounts for the year 1923-24 have yet to be verified by the Accountant-General, Madras,

Serial
No.

Draft reply.

According to letter No. 812/606-1899 dated 25-1-24 from the Secretary to the Resident, to the Financial Secretary, Rs. 6,03,482/- being the surplus of the Civil & Military Station for the year 1922-23 and also Rs. 5/- lakhs from the accumulated surpluses due to the Government of Mysore, were accepted as part payment of the Subsidy instalment that was due on 31-1-1924. Only Rs. 6,46,518/- was claimed from us towards the instalment which fell due on this date and was paid on 30-1-24 in Bombay. It may therefore be assumed that the surplus due to us for 1922-23 was adjusted towards the payment of the Subsidy before 25-1-24 which is the date of the letter received from the Residency.

J. Satyanarayana
Controller.

Much
3.12.24

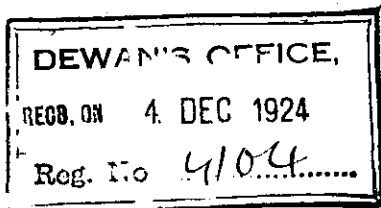
Dewan

draft reply is revised

4
4.12

Done much
4.12.24

Remitted no 807-5800: 14 1/25.



82 80. - 23 -
from the Secy to the Resident

2594
7

NO 387 D: 16.1.25

with reference to 606-1899
SI. 21. Communicated

the orders of the Govt of India in regard to the
apportionment of the surplus revenues of the C.M.
Station for the years 22-23 & 23-24 towards
the 1st instalment of the subsidy due this month.

Subsidiary

letter

(17.1.25)

Financial Secy's letter D: 17.1.25

The Residency letter^x of yesterday received to-day
in which the sanction of the Secretary of State is con-
veyed to the new settlement regarding the division
between the State and Station of the Surplus Revenues
of the latter is put up for perusal.

P.O.D.

The terms of the settlement as proposed have been
accepted except in regard to the year from which the
new arrangement should be brought into force. As
regards this condition, it would appear from the present
communication that it is proposed to give ~~the~~ effect to
the new settlement commencing with the surplus for the
year 1923-24 payable to us in the current year. (Please
see item No. (7) in para 2 and para 5 of the Residency
letter.) The last para of the letter clearly states
that what will be allowed to us in the current year is
"the Mysore Government's share of the surplus for 1923-24
plus the sum of Rs. 98,839-2-3 with-held under the orders
of 1923." The amount referred to as with-held is the
balance for making up a reserve of Rs. 3 lakhs as required
by para 6 of the Residency letter^x dated 7th May 1923.
As our claim to this with-held amount has been conceded,

P.O.D.

M. page 22

P.U.D.

Serial
No.

The Residency letter^x dated 16th February 1925 placed below is the official confirmation of the understanding arrived at in the personal discussion between the Dewan and the Resident in regard to the year from which the new settlement will be given effect to. It is clearly stated in the present communication that what ~~was~~ will be paid to us in the current year is the total surplus for the previous year 1923-24. It is added that such total surplus amounts to Rs.5,25,255-10-8 and that the balance still due to us is Rs.26,416-8-5 which will be paid after the pro-forma accounts are passed by the Government of India. No action on this letter is necessary. It may be recorded, a copy being sent to the Comptroller for information in respect of the balance still due.

D E W A N.)

*Supm. put. shd not
be submitted with for payment
but?*

*D.S. put of**Dewan)**20.2.25**2/3*

ICE,

20. FEB. 1925

REG. NO.

6123

Submitted to His Highness.

The Residency letter No. 1334 dated 16th February 1925 relating to the surplus due for 1923-24 is submitted for perusal. This communication removes the misgiving caused by the Residency letter No. 387 dated 16th January 1925 that what was paid for the year - 1923-24 according to that letter was, as stated in para 5 thereof, only "the Mysore Government's share of the surplus for 1923-24". It is clearly stated in the present communication that what will be paid to us in the current year is the total surplus for the previous year 1923-24. This is how we wanted the new Settlement to be brought into force. We wanted that the new system of sharing of the surplus between the State and the State should be given effect to commencing with the surplus for the year 1924-25 payable to us in 1925-26 and that the surplus for 1923-24 payable to us ^{in 1924} for 1923-²⁵~~24~~ should be handed over to us in full, according to the old Settlement of 1912. This point has now been settled in accordance with the intention of the new Settlement. The Balance of Rs. - 26,416-8-5 stated to be still due for 1923-24 will be realised in due course when the pro forma accounts for that year are passed by the Government of India. I report these facts for the gracious information of His Highness.

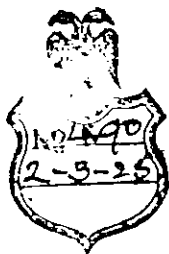
Bangalore,)
2nd March 1925.)

W. H. D. D. D.
Officiating Dewan.

CSR.
A.R.

Record of Cases submitted for the Orders
of His Highness the Maharaja.

Subject.



Letter from the Residency re-
garding surplus due for 1923-24 from
the Civil and Military Station, Banga-
lore.

594

Order.

~~KRU~~

3/3/25

Muneebullah
M
4/3

I have sent
copy of letter
to Comptroller
for
information
M. S. 18
24-3-25

Serial
No.

~~Draft~~ forwarding the copy of
the Recidency Letter, ^{with Comptroller} as directed by
the Finl. Secy. on the previous page
is put up for approval.

G.S. Lj
4.3.25

read
4/3/25

31 No 4995 of 6.3.25 from the Comptroller
forwards copy of his letter to the
Acct. General, Comptroller Revenue, Calcutta
enquiring if the balance of Residual
Acct. Revenue viz Rs 26,416-3-5
may be deducted from the Subsidy
(2nd inst.).

Submitted for Perusal. May be
for this case be answered?
OK
21/3

34. No 2519/78-1922 of 21.3.25 from the Secy.
to the President, in favour of the Govt.
of India have been placed to authorize
the adjustment of the balance Residual
against the 2nd instalment of Subsidy,
which the Pay & Acct. Officer has been
informed.

File No.

of 19

General and Ref.
Secretariat

, accordingly.

The Comptroller has Inscr.

Serial
No.sent in his Copy of his enquiry on the
subject (Vide at 31 above).The Contents of his present reference
from his Residency may be communicated to
his Comptroller for necessary action.It is for order if a further order is
necessary in connection of 23.2.25
supra.Subs with a draft to Comptroller. In
reply, does not seem necessary to
report this to His Highness

(H.S.M.)

Done m/s

I agree - this has
already been
reported
m/sNote 5226 of 23.2.25 to his Comptroller 35
forwards Copy of the Residency letter
for marking the necessary documents
from his own statement of Residency.
May this now be submitted to his Dewan
for information with reference to note of
17.2.25 at supra.

Submitted for information.

As the matter has already been
reported to His Highness no further
report as regards the ^{actual} ~~maladministration~~
necessary

(H.S.M.)

DEPT. OF REVENUE
REC'D 23 MAR. 1925
1088

25/3/25
30/3

m/s 30/3/25 m/s

Serial
No.

All the points raised in this file have been disposed of. As the new system of balancing the accounts between the States and the Union to be brought into force only from 1924-25 (which accounts payable to us in 25-26, & the accounts for 23-24 to be paid to us in force in 24-25 according to the 1st Settlement of 1912.

These papers may now be recorded along with the Deep Census & the Agreement of 1912.

OK 31/3 If these papers are also to be printed & be with a view to bring the printed papers up to date, they will be transferred to the Dewan's Office for printing.

not necessary

Muz
c (4/25)

File
read
4/25

(J. Sanyal)

mad
2/25

Pol 1131

9.7.80-23.18

6 June 1924
Letter Pol 1131 to 6.6.24 from The Financial Secretary to the
Govt of Mysore, To The Secy to the Hon the President of
Mysore

Sir. I am directed to write
ref to the correspondence with
your letter no 82 T of 25.3.24
regarding the payment of the
balance of surplus of the station
due for the year 1922-23. The
current financial year of the
Mysore Govt is fast drawing
to a close and if the audit
under correspondence is not received
before the 30th inst the position
of the year will be worse than
it is already. The case has been
fully explained in my letter of
20.3.24 and the Hon the
President has also recommended
to the Comd that the request
of the Govt may be complied
with. In these circumstances it is
not clear why there is delay in
making the payment. I am
to request that early arrangement
may kindly be made
to have the

H. G. V.
H. G. E.

amount created to the Credit before
the current month closes.

Thank you

my

5/6/24

477
6.6

CONFIDENTIAL

D.O.No.C.3332/211



CB. 223
THE RESIDENCY,
BANGALORE.

The 1st August, 1924.

Subject:- Surplus Revenues of the Assigned Tract of
Bangalore.

to be sent no C. 3332/211 is 1.8.24 from The Secretary to the
Honble Residency in Mysore, to The ~~Chief~~ Secretary to the Govt of
Mysore.

Dear Mr. Maltby

I am desired to refer to the correspondence ending with
Mr. M.N. Krishna Rao's letter No. P61.1131 dated the 6th June
1924, and to say that, in the event of the new scheme for the
distribution of the surplus revenues being sanctioned, the
Government of India are prepared to agree to refund the amount
of Rs. 3, 01, 160-13-9 withheld from the surplus of 1923-23 under
the orders of 1923; but they consider that in this event the
new scheme should come into force in respect of the pro-forma
accounts and surplus of 1923-24. I am to enquire whether the
Darbar agree to this arrangement.

✓ signed
Maltby

CONFIDENTIAL.

D.O. No. C. 3332/21



CB. 223
THE RESIDENCY,
BANGALORE.

The 1st August, 1924.

Subject:- Surplus Revenues of the Assigned Tract of
Bangalore.

to be sent no C. 3332/21 is 1.8.24 from The Secretary to the
Honble Residency in Mysore, to The ~~Financial~~ ^{Chief} Secretary to The Govt of

Ref
4.8.24

Mysore.

Dear Mr. Maitland

up sent to

Secy.

to Secy.

compls of 8

I am desired to refer to the correspondence ending with
Mr. M.N. Krishna Rao's letter No. Pol. 1131 dated the 6th June
1924, and to say that, in the event of the new scheme for the
distribution of the surplus revenues being sanctioned, the
Government of India are prepared to agree to refund the amount
of Rs. 2, 01, 160-13-9 withheld from the surplus of 1923-24 under
the orders of 1923, but they consider that in this event the
new scheme should come into force in respect of the pro-forma
accounts and surplus of 1923-24. I am to enquire whether the
Darbar agree to this arrangement.

Yr sincere
K. L. S. S. S.

Confidential D.O. letter No. 490 18/25.8.24 from ~~The~~

Chief Secy. to The Govt. Confidential.

Mysore, to The Secretary ~~D.O. 490~~

The Hon'ble The Resident Dear Mr. Cater,

in Mysore.

I am desirous to acknowledge the receipt of your letter No.C. 3332/211 of the 2nd instant regarding the balance of Rs.2,01,160-13-9 still due to the Mysore Government towards the surplus of the Station for the year 1922-23. I am, in this connection, to invite kind reference to the terms and conditions of the new Settlement formulated in the Memorandum forwarded with the Dewan's D.O. letter No. R.35 dated the 4th November 1923 to the Hon'ble the Resident. These terms and conditions, which were arrived at after lengthy discussions and negotiations, and have been agreed to by the Hon'ble the Resident, did not contemplate any part of the surplus of the year 1922-23 being withheld, and it was definitely stated that the new Settlement would have effect from 1924-25. Throughout the course of the preceding negotiations there was never any idea on either side, of building up a reserve fund of three lakhs, as contemplated in para 6 of your letter dated the 7th May 1923, before the new Settlement should come into operation from 1924-25. On the other hand, it is one of the conditions of the Settlement that the original reserve of five lakhs which had been withheld for the same purpose was to be paid over to the Mysore Government. The Mysore Government have had no indication during all these months but that the details of the new Settlement were agreeable to the Government of India, and the Settlement awaited the ratification of the Secretary of State. In fact,

the Government of India have actually given effect to that part of the Settlement which relates to the handing over to the Mysore Government of the original reserve of Rs.5 lakhs, and this ^{is a} clearly ~~indicat~~ ^{indicates} that the scheme of building up a reserve of 3 lakhs has been given up. From the terms of your official letter No.32-T dated 25th March '24 His Highness' Government conclude that the above views are ^{also} shared by the Hon'ble the Resident. *The necessity for revision*

*will
be important when the
scheme is considered
as per the fact that
the balance line
from the surplus
Surplus (indeed)
4/2 - after paying
for security & p
required by the
and the Govt*

The proposal now made by the Govt. of India that, if the balance of surplus of 1922-23 is to be paid, the new scheme should have effect from 1923-24, cannot therefore ~~be~~ be understood. It is a proposal to make a material modification of the understanding ^{after protracted negotiations} come to/between the Mysore Government and the Residency, and a proposal of the kind, at this stage, cannot but be viewed by His Highness' Government with concern. They are unable to accept the proposal, and I am to express the very strong hope that the position ^{may} ~~may~~ be kindly explained by the Hon'ble the Resident to the Government of India, and their early orders obtained for the payment of the withheld portion of the surplus of 1922-23.

Yours sincerely, *[Signature]*

due for the year 1923-24 which closed more than 7 months ~~back~~ ^{ago}, it is believed, been now ascertained, and I am to request that early arrangements may kindly be made for the payment of this surplus as well.

The Budget anticipations of the Mysore Government for the current year have been disturbed by the additional unforeseen expenditure involved by the damages due to the floods, reduction of their Sterling revenues by the higher level of Exchange, falling off of their Royalty revenue due to the lower prices of gold and other causes. Delay in the realisation of their dues ^{in respect of} puts the Government to considerable inconvenience in meeting their ~~ex~~ commitments and of these latter, the instalment of the Subsidy due in the month of January 1925 is the largest. The Government of Mysore ~~will~~ will, in these circumstances, feel obliged if the Station surpluses due for the years 1922-23 and 1923-24 are arranged to be paid in time to permit of their being used for meeting the demand of the Subsidy falling due in January next.

The favour of very early action on the representation made in this letter is requested.

I have etc.

[Signature]
Financial Secretary to
Government.

[Handwritten signature]
12-11

[Handwritten notes]
and sent to Mr. [unclear]
on 11.11.24

1780-2320-CB-983

From,

A.N.L. CATER ESQ., I.C.S.,

Secretary to the Resident in Mysore.

MAINT. NO. 2130
10 - 11

To,

K. Matthan. Esq., B.A.,

Chief Secretary to the Government of Mysore

Dated Bangalore the 1st December 1924.

Subject:- Surplus revenues of the Assigned Tract.

Letter no: C/3504/21 is 1.12.24 from the Secretary to the Honble
The Resident in Mysore to the Chief Secretary to the Govt. of
Sir, Mysore

I am directed to refer to the letter from the Financial
Secretary to the Mysore Government No. Pol. 391, dated the 12th
November 1924, regarding the balance of the surplus revenues still
due to the Mysore Government. I am to inform you that the
Government of Mysore's representations have been forwarded to the
Government of India, but that no reply has yet been received.

2. As regards paragraph 2 of the Financial Secretary's
letter referred to above, the Station accounts for the year 1923
1924, have yet to be verified by the Accountant General, Madras,
and sanctioned by the Government of India, and it will probably
take another two months before any surplus can be handed over to
the Mysore Government.

I have the honour to be,

Sir,

Your obedient servant,

Secretary to the Resident in Mysore

DRAFT.

To

The Secretary to the Hon'ble
the British Resident in Mysore
BANGALORE.

Letter No pol 464 of 5-12-24 from the
Financial Secy to the Govt of Mysore to the Secretary to the Hon'ble
the Resident in Mysore.

S r,

I am directed to acknowledge the receipt of your letter No.C.3504-211 dated 1st December 1924 regarding the surplus revenues of the Civil & Military Station for the years 1922-23 and 1923-24. In the circumstances stated in my letter No. Pol.391 dated 12th November 1924, the Government of Mysore have ~~no alternative~~ ^{will suggest that} but to utilise, towards the first instalment of the subsidy falling due next month, the surpluses of the Station for the two years referred to above. I would, in this connection, invite reference to your letter No. 812/606-1899 dated 25th January 1924 in which a similar arrangement, proposed in respect of the subsidy payment due in January 1924, was approved by the Government of India. His Highness' Government ~~con-~~ ^{believe} sider that, as the surplus due for the year 1922-23 was known in January 1924 that due for the year 1923-24 will be known before the end of January 1925. As for the amount of this surplus, the Mysore Government have yet no definite information but on a calculation made on the Revised estimate of the Station

for the year 1923-24 it appears
that it is unlikely to be less
than Rs 6 lakhs. There is, besides
this amount, the surplus of about
Rs 2 lakhs still due for the previous
year 1922-23. Between these two
items, a sum of about Rs 8 lakhs is
due and if the exact amount payable
is not ~~definitely~~ ascertained before
the end of next month, His Highness'
Government ^{have proposed} will ~~arrange~~ ^{propose} to ~~pay~~ ^{that} towards
the subsidy falling due in that month, ^{144 lakhs}
a sum of Rs 10 lakhs, the balance of
Rs 7½ lakhs being adjusted out of the
surpluses due for the two years 1922-23
and 1923-24 and when the exact amount
payable is ascertained, the balance
due in excess of Rs 7½ lakhs may be
arranged to be paid in cash.

I have, etc.,

Financial Secretary to Govt.

*can be - the whole of the money
I refer to the money to be
paid back to the Government
the adjustment for the
there is precedent
without difficulty
the same balance
in respect of the cash
has been during Jan '25*

*Y.
4/12*

To

Pol. 580 8/14.25
The Secretary to the Hon'ble the
Resident in Mysore,

S i r,

I am directed to invite reference
to this office letter no. Pol. 464/G.R.
80-23-21, dated, the 5th December --
1924 regarding the adjustment of ---
Rs. 7½ lakhs out of the balance of --
surplus revenue of the C. & M. ---
Station due for the year 1922-23 and 7 ½
revenue for 1923-24, towards the 1st
instalment of the subsidy due this -
month pending receipt of the details
of the exact amount due to the Mysore
Government, and to request the favour
of being informed as early as practi-
cable whether the ^{amount} ~~amount~~ may be ~~set~~
off against the payment on account
of the subsidy as proposed in ^{the said letter.} ~~it~~.

I have etc.,

Fl. Secy to Govt.

*Draft altered
11/1/25*
11.00 1925

K.M.R.I.

All communications should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not name.

No. 387
606-1899.

67.80-23 Pol. 835

2594

FROM

A. N. L. Cater, Esq., I.C.S.,
SECRETARY TO THE RESIDENT IN MYSORE.

TO

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore, 16th January 1925.

Subject.

Surplus revenues of the Assigned Tract of
Bangalore.

Letter no. 387/606-1899 of 16.1.1925 - from the Secretary to the Resident in Mysore, to the Financial Secy. to the Govt. of Mysore.

I am directed to refer to the correspondence ending with your letter No. Pol.464/G.F.80-23-21, dated the 4th December 1924.

2. With the approval of His Majesty's Secretary of State, sanction is accorded to the following arrangement for the determination and disposal of the surplus revenue of the Assigned Tract of Bangalore.

(1) The sum of Rs. Thirteen lakhs shall be the datum line representing the normal annual expenditure of the Tract; items over and above the normal recurring expenditure shall not be included in the datum line.

(2) Any surplus revenue in excess of this sum shall be divided between the Tract and the Mysore Government in the proportion of $\frac{1}{4}$ th to the former and $\frac{3}{4}$ ths to the latter.

(3) Pro forma accounts shall continue to be maintained as at present.

(4) Income from productive works financed from the revenues of the Civil and Military Station shall be treated as the revenue of the Assigned Tract and, in the event of the capital of any productive work being found both by the Station and the Station Municipality, the net revenue shall be shared by them in the ratio of their contributions to capital.

(5) No part of the surplus of any year shall be set aside to form a reserve to meet possible future deficits.

(6) The provisional sanction accorded by the Government of India (vide my letter No. 812, dated the January

25th,



25th, 1924) to the adjustment of the sum of Rs. five lakhs from accumulated surpluses in part payment of the instalment of the subsidy payable by the Mysore Government on 31st January 1924 is hereby confirmed.

(7) This arrangement shall have effect from the year 1924-25 and shall remain in force for a period of ten years. At the end of this period the datum line of Rs. thirteen lakhs will be reconsidered.

3. In communicating this sanction to the revised arrangement as set forth above, I am to say that the Secretary of State has again drawn the attention of the Government of India to the fact that the surrender of the surplus revenues to the Mysore Government is purely an act of grace, as such payment is not provided for in either of the governing documents, namely, The Instrument of Transfer and the Memorandum of Assignment. He further desires that it should be made clear that the maintenance of the public services of the Tract in an efficient condition is the first and paramount claim upon the revenues of the Tract, to which all others must be treated as entirely subordinate and that when the new arrangement comes under review after ten years, that will be the attitude adopted.

4. With reference to the Mysore Government's request to be given credit, towards payment of the subsidy, for the sum of Rs. 2,01,160-13-9 withheld from the surplus of 1922-23 under the orders of the Government of India, the Government of India are unable to admit the Mysore Government's contention that those orders have never been in force. In view, however, of the assurance given to the Government of Mysore that, in the event of the orders of 1923 being modified, as has now been done, any sum withheld under those orders would at once be handed over to them, the Government of India are pleased to decide that the sum of Rs. 2,01,160-13-9 may be credited to the Government of Mysore in part payment of the next instalment of the subsidy.

5. Further, I am directed to state that, subject to revision on final determination of accounts, the Government of India accept in part payment of the subsidy now due, the Mysore Government's share of

the

the surplus for 1923-24, plus the sum of Rs.98,839-2-3 withheld under the orders of 1923.

I have the honour to be,

Sir,

Your most obedient servant,

Matus

SECRETARY TO THE RESIDENT.

SIR

G-7 80-23-25- fol. 593

Draft.

To

19/1/25

The Secretary to the Hon'ble
the Resident in Mysore,
B a n g a l o r e.

Sir,

I am directed to acknowledge the receipt of your letter No.387/606-1899 dated 16th January 1925 communicating the sanction of His Majesty's Secretary of State for India to the new settlement in respect of the division between the State and the Station of the Surplus Revenues of the latter and to convey the thanks of the Government of Mysore for the same.

What amount on account of the Surplus of the year 1923-24 will be allowed to be adjusted against the first instalment of the Subsidy payable this month is not clear from para 5 of your letter. I am directed to request that very early information may kindly be furnished on this point as it is necessary for deciding what part of the first instalment of the Subsidy should be paid in cash.

The Government of Mysore propose to address a separate communication regarding other ~~important~~ points that arise out of the letter under reply.

I have etc.,

M. K. 17-1-25
Financial Secretary to Govt.

No. 528

606 - 1899.

From.

A. N. L. Cater, Esq., I.C.S.,
Secretary to the Resident in Mysore.

To

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore, 21st January 1925.

Subject.-

Surplus revenue of the Assigned Tract
I of Bangalore.

Sir,

*Letter no. 528/606-1899 of 21st Jan'y 1925 from
the Secy to the Hon'ble the Resident in Mysore to the H.
Secy to the Govt. of Mysore*

In reply to your letter No. 593-Pol./G.F.80-23,

dated the 19th January 1925, I am directed to state that
a sum of approximately Rs.4,00,000 from the surplus for

-----			the year 1923-24 will
x	Amount kept in reserve in		
	1922-23 ...	Rs.2,01,160 13 9'	be adjusted against
	Do. 1923-24 ..	98,839 2 3'	the first instalment
			of the subsidy pay-
	Total ..	3,00,000 0 0'	able by the 31st Janu-
	-----	-----	ary 1925, subject to

revision on final determination of accounts, in addition
to the reserve fund of Rs.3 lakhs referred to in para-
graphs 4 and 5 of my letter No.387, dated the 16th Janu-
ary 1925.

I have the honour to be,

Sir,

Your most obedient servant,

Sd/- N. Cater,

Secretary to the Resident.

Copys

[Handwritten mark]

All communications should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

DIARY NO. 3011

No. 1334 ENC
613-1899.

1923	-	1924
Section.	9-7	
9-60		80-23
		30

FROM

Major K. A. G. Evans Gordon,

SECRETARY TO THE RESIDENT IN MYSORE.

TO

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore, 16th February 1925.

Subject.

SURPLUS REVENUES OF THE CIVIL & MILITARY
STATION, BANGALORE.

Letter no: 1334/613-1899 of 16.2.25 from the Secretary to the
Honble The British Resident in Mysore, to The Financial Secretary
to the Government of His Highness the Maharaja of Mysore.

In reply to your letter No.664-Pol/G.F.80-23-29,

dated the 7th February 1925, I am directed to state that

the total surplus of the Civil & Military Station, -

Bangalore for the year 1923-24 is estimated to amount to

Rs.5,25,255-10-8 of which a sum of Rs.4,98,839-2-3 has

been ordered to be adjusted against the subsidy instalment

due in January 1925. The balance viz. Rs.26,416-8-5 will

be paid on receipt of the orders of the Government of India

to whom the pro-forma account has been sent.

I have the honour to be,
Sir,
Your most obedient servant,

K. A. G. Evans Gordon
Major

SECRETARY TO THE RESIDENT.

SUBJECT.....

Diary No. of letter replied to.....

General and Revenue Secretariat

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191 .

Date of issue

6.3.25

Signed by

Mr M. A. Rangachari

x Kap.

Section 4-F.

File No. 80-23

Serial No. 31

No.

74995 Enc 1

To

The Comptroller.

Sir,

Surplus Revenues of the
Ct M. Station Bangalore
for the year 1923-24

With reference to the
above subject, I am
directed to send a copy
of the Residency letter
no: 1334/613-1899 for
information in respect
of the balance still due
on the above subject

Yours

I have etc

For Secy to Govt.
Fin. Dept.

G.S.
4.3.25

1/2/25

38956

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

9.7.80.2333

In reply please
refer to
No. 1417 Books

21. MAR. 1925

Comptroller's Office, Bangalore,

Dated the 18th March 1925.

DIARY NO.

2513

19

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Section.

L. N.

SK

& I Rajakaryaprasaktha
M.N. Krishna Rao, Esq., B.A.,
Financial Secretary to the Govt. of Mysore,
Bangalore.

20. MAR. 1925

Sir,

G. D. SECTION

I have the honor to forward herewith for your information copy
of this office letter No. 1403-6 Books dated 17th March 1925, addressed
to the Accountant General, Central Revenues, Calcutta, enquiring
whether the sum of Rs 26,416-8-5 being the balance of the Assigned Tract
Revenue of the Civil and Military Station, Bangalore, still due to us
may be deducted from the second instalment of subsidy due to British

Government

Government before the end of the current month.

I have the honor to be,
Sir,
your most obedient servant,

Mr. nashaveinda R.

19/3/25
For Comptroller.

213
19.3.25

MSR

Copy of letter No. 1403-6 dated 17th March 1925, from the Comptroller ^{books} in Mysore, Bangalore to the Accountant General, Central Revenues, Calcutta.

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In forwarding herewith copy of letter No. 1334-613-1899 dated 16th February 1925, from the Secretary to the Resident in Mysore, Bangalore, to the Financial Secretary to the Government of Mysore, I have the honor to request you to be so good as to intimate very early whether the sum of Rs 26,416-8-5 being the balance of the Assigned Tract Revenue of the Civil and Military Station, Bangalore due to Mysore Government may be adjusted towards the second instalment of subsidy due from the Mysore Government to British Government before the end of the current month.

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Copy forwarded to the Controller of Currency, Calcutta, for information.

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Copy forwarded to the Accountant General, Madras, for information.

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Copy forwarded to the Pay and Accounts Officer, Civil and Military Station, Bangalore, for information.

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Superintendent

Superintendent, Records Section,
Comptroller's Office.

MSR

213
19.3.25

All communications should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

URGENT.

No. 2519 Enc. 78-1922.

DIARY NO. 3526

19	7
Exc	

FROM

Major K. A. G. Evans Gordon,
SECRETARY TO THE RESIDENT IN MYSORE.

To

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore, 21st March 1925.

Subject.

Surplus revenue of the Civil & Military
Station, Bangalore for the year 1923-24.

*Copy of letter No. 2519/78-1922 dated 21.3.1925
from the Secretary to His Highness the British Resident in Mysore
to the Financial Secretary to the Government of His
Highness the Maharaja of Mysore.*

In continuation of my letter No. 1334, dated the

16th February 1925, I am directed to state that the
Government of India have been pleased to authorise the
adjustment of the balance of the surplus for the year
1923-24 viz. Rs. 26,416-8-5 against the second instalment
of the subsidy due on the 31st March 1925. The Pay and
Accounts Officer, Bangalore has been instructed accord-
ingly.

I have the honour to be,

Sir,

Your most obedient servant,

[Signature]

for SECRETARY TO THE RESIDENT.

BJ

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SUBJECT _____

Diary No. of letter replied to _____

Section *Cr. C.*File No. *80-23*Seria. No. *35*No. *Immediate**45-228 Encl*

General and Revenue Secretariat

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To

*The Comptroller**Supers Revenue of C. & A.
B. & W., Blore for 23-24*Date of issue *23.3.25**Dr.*

Signed by

*Mr M. A. Rangaswami**In Cont. of his Office**Letter No. 4995 of 6.3.25**and with reference to your letter**No 1417 / Bore of 18.3.25 on**the above subject, I am**pleased to forward herewith**for necessary action copy**of letter No 2519/28-22 of 21.3**for the settlement of the Revenue in the**25 received, Authorising the**agreement of the balance of**the C. & A. Division for the year 1925-26**and the 2nd instalment of the Subsidy.*

List of enclosures _____

Copied by _____

Examined by _____

*Made over 23/3/25**24/3/25 H. S. S.*

THE CIVIL AND MILITARY STATION SURPLUS REVENUES.

Letter dated the 29th April 1922 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja

I am sending you a complete up-to-date note on the Surplus Revenues of the Civil and Military Station in which the latest communication from the Residency giving an extract of Mr. Barton's rejoinder to our representation, which he submitted to the Government of India, is fully dealt with. The note has an annexure which goes into the main arguments of Mr. Barton in some detail with a view to show that most of his statements are incorrect. I have not made the note too elaborate because, after all, the issues now are confined to the main argument, *viz.*, that the Durbar has a claim to the Surplus Revenues and as such, its withholding was unjust; and I do not think that it is very difficult to prove this aspect of the case, even in the face of Mr. Barton's arguments specially as many of them are historically as well as politically inconsistent with past correspondence.

The other aspect of the case, *viz.*, whether we should claim the full arrears and insist on the settlement arrived at in 1912 being given effect to without any departure or modification is a matter that must, to some extent, be left to His Highness' discretion according to the attitude which His Excellency the Viceroy may take. My own personal view is that we should insist on the 1912 settlement being adhered to in every respect and should not say much about the compromise that was suggested by Col. Knox. It would be a great mistake, in my judgment, to accept, even for a limited number of years, a fixed sum. I do not think the Surplus Revenues are likely to go down materially in the future, and, if the main part of the dispute, *viz.*, whether very large improvement schemes of the Assigned Area are to be carried out entirely with the Surplus Revenues or with grants from the Imperial Government, is settled once for all, then, all that is required is to come to some agreement about the *pro forma* account. So, the compromise that I would recommend is not that a fixed sum be received for a number of years irrespective of the actual surplus, but that a certain proportion of the surplus, should His Highness the Maharaja be so pleased to concede, may be utilised for the execution of large improvement schemes—not exceeding 25 per cent, on the distinct condition that all such schemes do not involve the grant of additional privileges or concessions from His Highness' territories either for the expansion of territorial limits or for facilities under water, etc., not covered by existing agreement. I request that you will kindly convey this important aspect of the case to His Highness for his gracious consideration.

I have prepared a short memorandum for the personal use of His Highness which I also enclose in a sealed cover.

If you want a few more copies of the note and the annexure I shall have them printed forthwith and send them to you.

ENCLOSURE.

THE SURPLUS REVENUES OF THE CIVIL AND MILITARY STATION OF BANGALORE.

Ever since the Civil and Military Station of Bangalore was assigned by His late Highness Chamaraj Wadiyar in the year 1881, under Article 9 of the Instrument of Transfer (now replaced by Article 8 of the Mysore Treaty of 1913) for the purpose of a British Cantonment, the Government of His Highness the Maharaja of Mysore have continued to urge their claim to the payment of the surplus revenues of this Assigned Tract. The attitude of the Government of India in

regard to the claim was, for long time, uncertain. Although in the course of the negotiations that preceded this assignment they definitely contemplated making an allowance to the Mysore State in calculating the subsidy payment upon an average estimate of the surplus (in case a considerable surplus of income over expenditure should be found subsequently to accrue regularly), and although in the beginning the revenues of the Assigned Tract were paid into the Mysore State Treasury for three years after the assignment and the surplus revenue for that period was eventually retained by the Mysore Government—thereafter, the Government of India for a long period of years resisted the claim of His Highness' Government to the payment of the surplus. In the year 1912, however, after "a lengthy and troublesome correspondence," the Government of India definitely stated that they had "no intention of benefiting the Imperial Exchequer at the cost of the Bangalore Assigned Tract and that in the event of a regular and substantial surplus accruing to the *pro forma* accounts, the surplus will be handed over to the Durbar." In the same communication, with reference to certain debits appearing in the *pro forma* account which the Durbar contested, the Government of India explained that "*recognising the Durbar's claim to the surplus of the revenues of the Bangalore Assigned Tract*" they had directed certain amounts which they considered to be due to be paid them, to be debited to the *pro forma* account of the Assigned Tract. The Resident, Sir Hugh Daly, claimed that the Government of India had "dealt with the case in a liberal spirit" and hoped that the Durbar would "loyally accept" these "*frank pronouncements of Government policy*." His Highness' Government accepted the decision of the Government of India and for their part, they relinquished certain portions of their original claims. Subsequently, the Government of India's decision was publicly announced by His Excellency the then Viceroy at a State Banquet at Mysore on the 6th November 1913 in the following terms: "I am glad that the vexed question of the revenues of the Assigned Tract was last year decided, and I am sure that it must be a source of satisfaction to Your Highness to have arrived at a settlement, the more so, as an examination of the account shows, I understand, a balance due to the Durbar of nearly 40 lakhs of rupees."

These emphatic pronouncements bringing to a final settlement, as His Highness' Government supposed, a long pending controversy, were a source of great satisfaction to them. The decision thus communicated was followed up by the actual payment of the surplus up to the end of the year 1910-11. In November 1913, the Government of India wished to have the views of His Highness' Government as to whether the payment of the surplus might be made triennially or quadrennially. The Durbar having stated that they would much appreciate an annual settlement of the amount of surplus accruing each year, the Government of India intimated, in March 1914, that they had no objection to the annual adjustment of surpluses and in April 1914 they again stated that "for the future, there will be an annual adjustment, through the account current with the Mysore State, of the surplus which has accrued to the *pro forma* accounts of the Bangalore Assigned Tract."

His Highness' Government could not conceive it possible that these solemn pledges of the Government of India could ever be attempted to be repudiated. But in August 1917, a little more than three years after the communication last quoted, the Residency intimated two important modifications in the previous decision:—

(i) that it had been decided, with the approval of the Secretary of State, that one-fourth of every surplus accruing subsequent to 31st March 1911 should be reserved annually until a balance of five lakhs should be built up for the purpose of meeting possible deficits in future years and that thereafter the surpluses would be paid to the Durbar in full annually as they occur; and

(ii) that it had further been decided that after the 31st March 1916 any expenditure on sanitation and education such as had till then been met by non-recurring and recurring grants from Imperial revenues must be incurred entirely at the charges of the revenues of the Tract in proportion to their capacity to meet it.

It must here be mentioned that no explanation whatever has been vouchsafed to the Durbar of the reasons for these modifications of the original orders and the Durbar are totally in the dark as to what representations have been made, unknown to them, to upset a settlement to which they were a party in a manner that so vitally affects them.

Now is this the only point on which the Government of India have gone back on their pledges. On His Highness' Government suggesting that with a view to avoid the necessity for maintaining *pro forma* accounts and the trouble involved in annual adjustments, a fixed annual payment might be made in future in lieu of the actual surplus varying from year to year, the Government of India took up an altogether new position and said that "any particular payment made in accordance with the general principle which has been adopted in the matter of the payment of the surplus is, both as regards its amount and the method of its calculation an act of grace, the Durbar not being entitled, as a matter of right, to claim the whole or any part of the revenues of the Tract." This is so entirely inconsistent with the language and the spirit of the Government of India's decision of 1912 "recognising the Durbar's claim to the surplus of the revenues of the Assigned Tract" that His Highness' Government are forced to the conclusion that the facts of the case were not fully placed before the Government of India when they made this pronouncement. If any payment and the method of its calculation is every time a matter of grace and favour what was the "Durbar's claim" which the Government of India recognised in 1912? What were the decision and the settlement to which His Excellency the then Viceroy made reference in his public speech? What, again, is the value to be attached to the subsequent communications of the Government of India of April 1914 that "for the future there will be an annual adjustment of the surplus which has accrued to the *pro forma* account of the Bangalore Assigned Tract," and again of August 1917 that when a reserve of five lakhs is built up "thereafter the surpluses would be paid to the Durbar in full annually as they occur?"

At an informal meeting in February 1918 between the Ruling Princes and His Excellency the Viceroy at which the Secretary of State was also present, a question was raised whether there were not instances in which the British Government had gone back on their pledges to Native States in disregard of Treaty rights, etc. As a result of this discussion, a circular was sent round by the Government of India requesting Indian Princes to bring to notice any case in which they considered there had been a failure of pledges given by the British Government. The Durbar sent their reply in October that year inviting the attention of the Supreme Government to some instances in which the pledges given had not been fulfilled. Little did they imagine that within two months after the despatch of that letter they would have to experience a repudiation by the Government of India of what was expressly stated to be a final settlement of a long-pending dispute at the satisfactory conclusion of which His Excellency the Viceroy himself had expressed his pleasure in a public speech.

The reversal of the liberal policy of 1912 does not even end here. In July 1920 came, once more, a communication from the Residency stating that "the Government of India, with the approval of His Majesty's Secretary of State, have sanctioned the temporary increase of the reserve fund from five lakhs to such amount as may be necessary to provide for the carrying out of schemes of improvement and reform in the Civil and Military Station the cost of which cannot at present be accurately estimated, by the retention of the annual surpluses that have accrued in the *pro forma* account of the Assigned Tract during the years 1918-19, 1919-20, and that which will accrue in 1920-21." No payment has accordingly been made to His Highness' Government for those three years (and for the year 1921-22 which is also over), with the result that in addition to the five lakhs withheld as reserve against deficits, a sum of about 35 lakhs being the realised surplus of four years, the whole of which is payable to His Highness' Government according to the settlement of 1912, is remaining in the Imperial Government's Treasury. It is hardly necessary to say that the withholding of 40 lakhs of rupees at a time when the Durbar's resources have been completely exhausted and crippled by their war effort and other causes, has placed them in a position of the greatest embarrassment.

His Highness' Government cannot acquiesce in these modifications of the settlement of 1912 and have lodged their protests (*vide* note of the 14th September 1920 handed to the Political Department of the Government of India by Mr. Banerji, then First Member of Council, and the Durbar's official letter No. Pol. 455, dated the 15th October 1920 to the Residency). With reference to these protests, Col. Knox, the officiating Resident, intimated in March 1921 that "the

Government of India were prepared to compromise with the Durbar on the basis of their paying a certain sum down and making a fixed deduction year by year from the annual subsidy, if the Durbar would abandon all claim, past, present or future,—to the revenues of the Assigned Tract.” His Highness’ Government, anxious as they are to meet the wishes of the Government of India, as far as possible and in view of their acute financial difficulties, without receding from their claims under the settlement of 1912, agreed to a compromise on the basis of an annual payment of five lakhs in lieu of the actual surplus, but subject to the question of the surplus revenue being not mixed up with that of the subsidy (their representation for a reduction of which on independent grounds is pending before the Secretary of State). In reply, Col. Knox intimated that the Government of India were “prepared to agree that any arrangements made in connection with the surplus revenues shall be distinct from and without prejudice to the question of a reduction of the Subsidy,” that they were of opinion that “an annual payment of Rs. 4 lakhs and a lumpsum payment of Rs. 12 lakhs for the past three years represents a fair offer” and that he was “authorised to continue negotiations with the Durbar on the above lines.” His Highness’ Government, again actuated by a desire to meet the wishes of the Government of India, as far as possible, suggested that if settlement on the basis of an annual payment of five lakhs was not acceptable to the Government of India, they would accept the offer of four lakhs, in lieu of the actual surplus, provided this new settlement modifying the one of 1912 is given effect to only from the year in which it is agreed to on both sides and that the whole of the surplus hitherto accumulated is paid to them less the amounts already paid.

His Highness’ Government now await the decision of the Government of India on their representation. Throughout these discussions, His Highness’ Government have been at a disadvantage in that, not only have the final decisions rested with the Government of India, themselves an interested party, but that proposals vitally affecting their claims are made and adverse decisions obtained without giving the Durbar an opportunity of submitting their views until after the stage of decision is reached. Their negotiations have also been prejudiced by the absence of consistency in the views and recommendations of successive Residents. To quote only recent instances; while Col. Knox has intimated the Government of India’s willingness to keep the question of the surplus revenues distinct from that of the subsidy, Mr. Barton writes on the 23rd December 1921 that “the matter has been greatly complicated by the attitude of the Durbar in pressing that the question of the subsidy and the surplus revenues should be kept distinct.” Again, while Col. Knox had offered as a compromise an annual payment of Rs. 4 lakhs together with a lump sum payment of Rs. 12 lakhs in consideration of the arrears of the surpluses for the past three years and had distinctly stated that he was authorised by the Government of India to continue negotiations with the Durbar on this basis, (*vide* D. O. letter No. C. 1083-211, dated the 13th July 1921), Mr. Barton while discussing the subject with the Dewan on the 7th April 1922, stated that the negotiations for compromise opened by Col. Knox in his D. O. letter, dated the 12th March 1921 should be considered as closed owing to their non-acceptance by the Durbar! Mr. Barton construes the counter-proposals made in response to a request for further negotiation as a closure of negotiations. Col. Knox again, while informing the Durbar that he had been authorised to offer payment at four lakhs a year and was negotiating on that basis, appears to have been making representations to the Government of India, unknown to the Durbar, about the impossibility of charging a four lakhs payment annually on the revenues of the Station.

Again it now transpires that the Resident, Mr. Barton, in forwarding to the Government of India the Durbar’s protest of 15th October 1920, had traversed the whole question and the previous decisions in a voluminous document, that the Government of India had expressed themselves to be in agreement with Mr. Barton’s views and directed that those views were to be communicated to the Durbar. But the extracts said to represent the views of the Government of India have only just been communicated to the Durbar. (Residency letter dated 22nd April 1922.) By delaying for over a year an opportunity to the Durbar to learn the views of the Government of India and meet the arguments advanced against them, while negotiations for a fresh settlement were proceeding, the Durbar feel they have been greatly prejudiced in these negotiations.

As the extracts of Mr. Barton's letter which have been furnished to the Durbar contain numerous inaccuracies and do not, in the Durbar's opinion, present the case in an impartial manner, and as the Government of India are said to have expressed themselves to be in agreement with the views expressed therein, the Durbar must claim the right of offering in the annexure, their remarks and criticisms on these views. An examination of the position taken up by Mr. Barton is however not very material for the disposal of the question if the Government of India's intention is to negotiate for a modification of the 1912 settlement by mutual agreement.

They claim the surplus revenues of the Assigned Tract as payable to them, both with reference to the intention of the parties at the time of the assignment and the construction of the documents on which the jurisdiction of the Government of India rests; they claim it also under the settlement of 1912 which they accept as final and liable to modification only by mutual agreement. They are willing to agree, subject to the modification proposed by them, to the compromise suggested by the Government of India and they now ask that the disposal of the question may no longer be delayed and that in coming to a decision, the Government of India will give due weight to their own pledges and pronouncements of policy and will not allow themselves to be influenced by specious pleas and arguments submitted without the Durbar being afforded an opportunity to meet them.

His Highness' Government have been deeply impressed by His Excellency the Viceroy's determination of "steadfast adherence to promises" and pledges that have been given which he, addressing the Chamber of Princes on 7th November 1921, mentioned as the source of the great and noble position obtained by the British Government in the affairs of the world. His Highness' Government have therefore every confidence in obtaining at the hands of His Excellency the Viceroy a decision calculated to confirm the confidence of the people of Mysore and their Ruler in the justice of British Administration.

ANNEXURE.

The extracts from the Residency D. O. letter of 12th November 1920 which have been furnished to the Durbar under instructions from the Government of India contain so many omissions and inaccuracies and such an unfair presentation of the case, that if this letter is typical of the manner in which the Durbar's representations on such important questions are forwarded to the Government of India, it is not surprising that that Government, disposing of the cases without an opportunity of ascertaining what the Durbar might have to say on the arguments urged against them, should have given decisions so disappointing to the Durbar.

Mr. Barton's letter contains a review of the history of the case, remarks as to the nature of the jurisdiction of the Government of India over the Assigned Tract and the Durbar's right to the surplus revenues and as to the future policy in regard to the development of the Station. He also refers to the claim alleged to have been made by the Durbar to control expenditure in the Civil and Military Station.

Mr. Barton's review of the history of the case contains numerous inaccuracies, omissions and misleading statements. For instance, he says the Government of India categorically disallowed the Durbar's right to the surplus revenues and that no surplus was paid on account of the years 1881 to 1896. As a matter of fact, the revenue of the Station was being paid into the Mysore State Treasury for the first three years after the assignment and was eventually retained by the Durbar and the "categorical disallowance" of the Durbar's right was only a statement that there were "reasons of principle against the system of paying over surplus revenues to the Native State" which was coupled, at the same time, with a promise of making some allowance, upon an average estimate of the surplus (if it be found subsequently that a considerable surplus of revenue over expenditure accrued regularly) in calculating the subsidy payment. Mr. Barton makes no reference to the fact that the Chief Commissioner, Mr. Gordon, who was responsible for all the local arrangements in connection with the transfer of jurisdiction between the British

Government and His Highness the Maharaja and who must have had full knowledge of the intentions of the parties both before and after the so-called "categorical disallowance" definitely contemplated the payment of the surplus to the Mysore Government. Mr. Barton again, is in error when he says that up to 1910 the Durbar had only asked for accounts and recognised that if they received any subvention (sic) from the Government of India on account of the surplus revenue, it was merely an act of favour on the part of the Government. He seems to have overlooked the numerous representations submitted on behalf of the Durbar by Sir Sheshadri Iyer including those of the 15th May 1884 and 23rd July 1895 and the appeal to the Secretary of State of 2nd December 1895. The object of these representations was "to place before the British Government the facts which in their (the Durbar's) opinion go to establish the position that the revenue of the Assigned Tract must be regarded as belonging to the Mysore State." The manner in which a case was submitted by a subordinate Government to the Supreme Government in which the admission of a just claim is asked for as a matter of favour, generosity or indulgence, is not to be construed as implying that any payments under the claim were to be regarded as a matter of favour. Another inaccurate statement that occurs in Mr. Barton's letter is that the scheme of *pro forma* accounts now in force was not settled till 1910. *Pro forma* accounts seem to have been maintained at the Residency in accordance with the Government of India letter No. 2902-1—A, dated the 27th August 1895, Foreign Department, and No. 5154-A, dated 2nd October 1902, Finance and Commerce Department (*Vide* Enclosure to Residency D. O. letter No. 7193, dated the 28th November 1910) and the scheme *now in force* was not settled in 1910 but in 1912 on the Durbar's representation about certain items improperly debited in the account. The most surprising feature about this historic review (contained in paras 3 and 4 of Mr. Barton's letter) is that it omits to make any reference to the settlement of the question by mutual agreement in 1912. He mentions it only in para 5 in giving an abstract of the Durbar's letter of 15th October 1920 and later on where he refers to it in para 8, it is to characterise as "fallacious" what Sir Hugh Daly originally declared to be a "frank pronouncement of Government policy" and "a satisfactory termination of a lengthy and troublesome correspondence", and what His Excellency the Viceroy described as "a settlement of a vexed question". In para 7 of the letter, it is said that the "basic principle of British Administration in the Assigned Tract, is utterly inconsistent with any right of the Durbar to claim a share in its revenues, and that "such a right has, in fact, never been admitted." Mr. Barton has completely overlooked the fact that his predecessor's letter of 17th July 1912 contains a definite recognition—these are the very words used—of "the Durbar's claim to the surplus of the revenues of the Bangalore Assigned Tract", and hence Mr. Barton's theories of the nature of British jurisdiction in the Tract are, at any rate, quite inconsistent with the view held by the Government of India in 1912.

Such being Mr. Barton's appreciation of the history of the case, it is not surprising that while the decision of 1912 is relegated as a "fallacious" pronouncement of the Government of India, the utmost emphasis and importance are laid on the "principle" "categorically affirmed" by the Government of India in 1895, on the policy laid down in June 1917, on what "the Government of India definitely laid down" in 1918 and on the Government of India's having "sanctioned in principle the financing from the surplus revenues of the Station, schemes estimated to cost 30 lakhs."

All this indicates a seeming inability to comprehend the Durbar's position that their representations are and always have been not by way of asking for new rights and concessions, but for the fulfilment of the mutual obligations arising out of the transactions of 1881. These obligations can be varied or departed from only by mutual agreement and His Highness' Government cannot be expected to accept as binding on them decisions come to on one-sided presentations of facts or on proposals evolved and submitted without giving them an opportunity of stating their views. References to what was "categorically disallowed" in 1881 or was "categorically affirmed" in 1895 are irrelevant when there was subsequently a different decision which was accepted by the Durbar and which the highest representative of the British Government in India declared to be a "settlement" of a "vexed question." Similarly, the orders of 1917, 1918 and 1919 which have not been acquiesced in by His Highness' Government cannot be regarded as disposing of the

whole matter when it is these very orders that His Highness' Government is contesting. The statement that the decision of the Government of India "that the revenues of the Assigned Tract should be relieved wholly of the non-recurring grants and also of the recurring grants made from Imperial revenues for sanitation and education up to 31st March 1911" was "in effect a present to the Durbar of an equivalent sum" again can only be understood on the supposition that the modification of the settlement of 1912 which the Government of India purported to make in 1917 and which His Highness' Government have not acquiesced in, should be regarded as binding with retrospective effect,—a position which even the Government of India have not so far taken up.

The arguments advanced in para 13 of Mr. Barton's letter are also beside the point. The circumstance that the revenues of the Station have increased owing to the influx of a large outside population which again is due to climate and residential advantages of the Station cannot render "morally" untenable the Durbar's claim to its surplus revenues. Nor does the fact that the large increase of the revenues of the Station was possibly due to the enormous increase of the Military population during the War, affect the equities of the case, since the Station has been assigned for the purpose of a Cantonment.

The suggestion that His Highness' Government have advanced a "claim to be consulted with regard to the scheme of improvements" in the Civil and Military Station in a manner which "implies a right to control expenditure" in the Civil and Military Station, is without foundation and is calculated to prejudice the Durbar's case with the Government of India. What they urge is that, apart from any question of, or reference to, surplus revenues having regard to the situation of the station in relation to Bangalore City and to the rest of the State and of its dependence in respect of essential factors in schemes of improvement whether of water supply or drainage or town planning, on action taken outside its limits, such schemes of improvement cannot be developed except in conjunction and co-operation with the Durbar and Municipal authorities of the Bangalore City. The Durbar have a vital interest and must be consulted, for instance, about a sewerage scheme which involves their acquiring lands for the British Government outside the station limits, or about town planning schemes which involve additional demands on the Durbar for water and electric power, and the argument advanced by them is that as such schemes cannot, in any case, be sanctioned and executed until after detailed consideration and discussion, there is neither the justification nor the necessity for withholding, in contravention of the existing settlement, the payment of the surplus revenues of 3 years. The suggestion that the Durbar have recently raised a very complicated question connected with the credit of income-tax in a manner indicating a claim to the right of scrutiny or audit of the accounts is also unfair. The Government of India have generously allowed the Durbar to make representations with regard to the classes of items to be entered in the *pro forma* accounts and they have in past accepted the views urged by the Durbar on such points. The Durbar fail to see that there is anything objectionable in their similarly making representations about the credit of income-tax or any other item of revenue, for the consideration and orders of the Government of India.

The Durbar disclaim any right to interfere with the administration of the Station, but they do maintain that under the terms of the Assignment by His Highness the Maharaja in 1881 and the settlement of 1912, they are entitled to receive in full, without any deduction whatsoever, all surpluses actually accruing after meeting the ordinary requirements of its Civil Administration. Any schemes of improvement required under the ordinary obligations of Civil Administration must be a charge on the gross receipts and cannot be taken out of the accrued surplus. Whether a scheme of improvement falls under this category or is required in view of Military requirements or other considerations would be a question of fact which the Government of India can themselves always judge. One important test would doubtless be whether schemes of a like nature would be sanctioned by other local Governments for areas similarly situated as schemes to be met from ordinary revenues. Schemes of improvement which are designed to improve the amenities of life of the European residents of the Station who form less than 10 per cent of its population and to secure for them "a gradual evolution to a higher plane of civic achievement", would presumably be outside the ordinary requirements of the civil administration of a tract which remains subject to the sovereignty

of His Highness the Maharaja and has been assigned by His Highness for a specific purpose.

What the effect of such an assignment is, may be inferred from the decision of the Privy Council in the case of Mahomed Yusufuddin Vs. Queen Empress (XXV Cal. 20). In that case, a subject of Hyderabad was arrested on the authority of a warrant issued by a British Indian Magistrate, within the precincts of a railway line in the Nizam's dominions, over which civil and criminal jurisdiction had been transferred by the Nizam to the British Government, on a charge of an offence of bribery, alleged to have been committed at Simla, and unconnected with the administration of the railway. It was held by the Privy Council that the jurisdiction having been transferred by the Nizam for a specific purpose, it could not justify the arrest of a person on the lands of the Hyderabad State Railway, under a warrant issued by a British Indian Magistrate for an offence unconnected with the Railway. The principle laid down in this case by Their Lordships of the Privy Council obviously is that a tract over which jurisdiction is ceded to the British Government for a particular purpose cannot be treated as British territory for other purposes.

At paragraph 8 of his letter Mr. Barton says that "the fact that the Assigned Tract was not definitely annexed in 1881 was due to deference to the feelings of His Highness the Maharaja of the time being." It is no doubt true that in 1881 if Her Majesty's Government had decided to annex the area, His Highness the then Maharaja was powerless to oppose such a decision. The Government of India, in addressing the Secretary of State on the subject in 1890, said that they did not propose to require the Maharaja to cede the area in full sovereignty. They considered that such cession would give rise to "technical inconveniences of jurisdiction and procedure attaching to the maintenance of an isolated piece of British territory surrounded by foreign territory", and therefore preferred to obtain an assignment of the jurisdiction over the area, an arrangement which incidentally would "be more agreeable to His Highness." That the British Government of the day could have annexed the tract cannot be the basis of any argument as to the nature of the jurisdiction of the Government of India over it. That jurisdiction was first assumed in their Notification No. 126—G. P. of 28th April 1881 and is based solely on the assignment, made by His Highness the Maharaja, of the area "to the exclusive management of the British Government for the purpose of a Cantonment. (*Vide* preamble to the above Notification and the Memorandum of Assignment made by His Highness the Maharaja Chamaraja Wodeyar under date 5th April 1881). The Station is solely under British jurisdiction, but in the exercise of this jurisdiction, it is not competent to the Government of India to depart from the purposes for which the Tract has been assigned, such as, for developing it as "a centre of European life and activities", as contemplated by Mr. Barton "for the large number of pensioners and other members of the European community from all parts of India" which "its climate and residential advantages" have attracted; or as an educational centre for Europeans. The status of the Tract being such as it is, it is also perfectly fallacious to apply to the administration of its finances the principles governing the financial relation of the Government of India with Provincial Governments.

Copy of letter dated 19th May 1922 from the Private Secretary to His Highness the Maharaja of Mysore, to the Dewan of Mysore.

I am sending you herewith copies of:—

- (1) Lord Reading's letter to His Highness in the matter of the Surplus Revenues,
- (2) His Highness's reply to it, and
- (3) A private letter from His Highness to the Viceroy.

The letters will, as they say, speak for themselves, and there is really nothing further that I can say. I trust that His Highness's reply is quite unobjectionable from your point of view.

ENCLOSURE

Viceregal Lodge,

SIMLA,

17th May 1922.

MY DEAR MAHARAJAH,

When I saw Your Highness on the 10th of May I promised that I would, if possible, write to you before you leave Simla about the method of adjustment to be adopted in future in regard to the Bangalore surpluses.

As Your Highness is aware, the Government of India have more than once expressed a preference on grounds of convenience for triennial or quinquennial settlements, but in view of what has already been said to Your Highness' Government and of your Highness' strong feeling in favour of annual settlements, I do not propose to press the point further unless the annual system should prove unworkable in practice.

Another matter in regard to which Your Highness expressed anxiety to learn my views as soon as possible was the question of the fixed annual payment.

As I pointed out to Your Highness last week, our offer of 4 lakhs annually was one of the terms of a proposed settlement which you have not felt yourself able to accept as a whole, and therefore the proposal has lapsed. At the same time I should like to explain to your Highness quite frankly the reasons which have influenced us in arriving at the conclusion that the Government of India could not agree to pay a fixed sum annually of 4 lakhs. We cannot count on a recurring surplus of 4 lakhs and that being so an arrangement by which the Government of India were to pay that sum to the Durbar every year, regardless of the actual surplus, might impose on the revenues of British India a burden which we should find some difficulty in justifying.

I feel sure that Your Highness would not desire to see my Government placed in such a position, or to claim for the Durbar more than the surplus whatever it may be, and that you will realise that an annual settlement based on actual income and expenditure and on a prudent estimate of future requirements is a strict fulfilment of what we have undertaken. I quite realise the advantages which a system of fixed annual payments would have in reducing the possibilities of friction and delay, but apart from that, the system which I have suggested seems to me the fairest that can be devised.

I have already informed Your Highness that I have directed that a sum of 10 lakhs should be paid into your Treasury as soon as possible.

As regards the remaining details of the settlement, I am making certain enquiries from the Resident, as all the information I require is not available in Simla. The Resident is, however, being asked to expedite matters as far as possible, and I trust that before long the whole question will be settled. In conclusion, let me assure Your Highness of my own anxiety to reach at an early date a settlement which shall, as far as possible, be a final one.

I trust that Your Highness is not finding the climate of Simla uncongenial, and that you will return to your State with your health benefited by your short sojourn in our northern hills.

Sincerely yours,
(Sd.) READING.

COLONEL HIS HIGHNESS MAHARAJA

SRI SIR KRISHNARAJA WADIYAR,

BAHADUR, G.C.S.I., G.B.E., OF MYSORE.

c. & m. s.

SIMLA,
19th May 1922.

MY DEAR LORD READING,

I write to thank Your Excellency for your letter of the 17th instant, on the subject of the Surplus Revenues of the Assigned Tract of Bangalore.

It is, indeed, kind of Your Excellency to take so much personal interest in the matter, and to write to me so fully and frankly. I appreciate very deeply your kindness and courtesy.

I note that Your Excellency has come to the conclusion that the offer of Rs. 4 lakhs annually, not having been accepted by us as a whole, has lapsed. I accept your decision.

It is far from my desire to see the Government of India placed in a difficult position. All that I expect is—I do not think I am unreasonable—that the decision of 1912, which was arrived at after prolonged correspondence, and acted upon for six successive years, may be observed in the spirit as well as to the letter, without introducing new departures, which would, in effect, nullify that settlement. I have every hope that the promise will always be observed in the spirit in which it was made to us.

I do not claim for the Durbar more than the surplus, whatever it may be, accruing to the *pro forma* accounts, and I shall be perfectly satisfied with “an annual settlement based on actual income and expenditure.”

As regards future requirements, however, I trust that there will be no objection to the Durbar being given an opportunity to state their views for the information and consideration of the Government of India. I think Your Excellency will agree that their views may, conceivably, help the Government in arriving at a correct and impartial decision in respect of new schemes which the Resident may submit for their sanction. I refer only to those schemes the cost of which is proposed to be met from, and is rightly debitable, wholly or partly to the revenues of the Assigned Tract.

It is a matter for Your Excellency's earnest consideration how far it is really equitable to withhold payment of the entire surpluses, which have accrued in the past, for expenditure in future years. May I venture to hope that Your Excellency will give this matter your early and favourable consideration? Meantime, I am grateful to Your Excellency for having directed that a sum of Rs. 10 lakhs should be paid to us as soon as possible, and this payment, I take it, is without prejudice to our claim for a larger share of the surpluses that have already accrued.

I realise how anxious Your Excellency is to arrive at a fair and lasting settlement of this vexed question, so that there may be no occasion for further correspondence in the future. It will be a relief to me, as I am sure, it will be to everyone else concerned, if, as I fully hope, such a settlement is reached in due course.

Sincerely Yours,
(Sd.) KRISHNARAJA WADIYAR.

Private.

SIMLA,
20th May 1922.

MY DEAR LORD READING,

Before leaving Simla, I feel I must write a line to say good-bye to Your Excellency, and at the same time, to express to you my warmest and most cordial thanks for the personal interest you are so kindly taking in the two matters, which I mentioned to you in person the other day. It is very good of Your Excellency to let me bother you in this way with my troubles, and I am very grateful.

I feel sorry I have not been able to see Her Excellency. I look forward to that pleasure when Your Excellencies honour my State, as I hope you will, with a visit before long.

Wishing Your Excellency continued success in your exalted office, and every happiness in this country.

I am,
Yours very sincerely,
(Sd.) KRISHNARAJA WADIYAR.

Viceregal Lodge,
SIMLA,
22nd May 1922.

MY DEAR MAHARAJAH,

I have received Your Highness' personal letter about the two subjects which we discussed and your letter, dated the 20th instant to say farewell. It was a great pleasure to me to have had the opportunity of meeting Your Highness and I wish Your Highness a pleasant journey back to Southern India. I am in communication with the Secretary of State about the surplus revenue case and I trust that I will soon be in a position to inform Your Highness about the conclusions at which we have arrived and that these will be found to be acceptable to Your Highness.

Her Excellency is sorry not to have seen you but we both trust some day to pay Your Highness a visit in your State and are looking forward to this prospect.

Sincerely yours,
(Sd.) READING.

COLONEL HIS HIGHNESS MAHARAJAH,
SIR SRI KRISHNARAJA WODEYAR BAHADUR, G.C.S.I., G.B.E.,
OF MYSORE.

D. O. letter No. 128—T, dated Camp Mercara, 1st June 1922 from the Hon'ble the Resident to the Dewan.

Please refer to the correspondence ending with Major Plowden's confidential and demi-official letter No. C/1777/211, dated the 22nd April 1922, on the subject of the surplus revenues of the Bangalore Assigned Tract.

2. I now write to inform you that the Government of India have decided, out of consideration for the financial difficulties with which the Durbar are at present faced, to pay the Durbar at once 10 lakhs out of the accumulated surplus. This payment is without prejudice to the final settlement of the question of the surplus revenues which is still under correspondence with the Government of India.

D. O. letter No. R. 8, dated 5th July 1922 from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

May I invite reference to your D. O. No. 128—T of the 1st June 1922 communicating the decision of the Government of India that a sum of Rs. 10 lakhs would be paid at once out of the accumulated surplus of the Civil and Military Station, and enquire when the payment may be expected? If formal orders have not already been issued, I shall be obliged if the Accountant-General, Madras, is instructed early to pay the amount.

D. O. letter No. C. 1956/211, dated 12th July 1922 from the Secretary to the Hon'ble the Resident to the Dewan of Mysore.

Please refer to your demi-official letter No. R. 8, dated the 5th July 1922, regarding the payment to the Durbar of Rs. 10 lakhs out of the accumulated surplus revenues of the Civil and Military Station.

2. In reply I am desired to say that the formal orders of the Government of India for the payment of the amount are expected shortly.

D. O. No. R. 19, dated 15th October 1922, from the Dewan of Mysore, to the Hon'ble the Resident in Mysore.

Will you please refer to Major Plowden's letter to the Chief Secretary regarding the Civil and Military Station Surplus Revenues?

It is long time since our formal representation to the Government of India was made urging, among other things, that it was not in keeping with the previous understanding arrived at in 1912 to withhold the surplus revenues of the Civil and Military Station for over three years as directed by the Secretary of State. You know the whole history of the case fully and you are also aware that when His Highness the Maharaja went to Simla, he had made a personal representation to His Excellency the Viceroy on the subject and His Excellency Lord Reading had written to him a private letter to say that an early decision of the Government of India may be expected in the matter. Soon after this, as you know, a sum of Rs. 10 lakhs was paid into the hands of the Mysore Government and this was supplemented by a further sum of Rs. 3½ lakhs. We are not in a position to know how these sums have been arrived at and the Financial Secretary was, therefore, directed to address the Residency to ascertain the calculations on which the sum of Rs. 13 and odd lakhs was paid to us. His Highness is, naturally, very anxious to know what the results of his representations to Lord Reading are and I shall, therefore, be very much obliged if you will kindly let me have at your convenience the decision of the Government of India on our formal representation in the matter as well as on all subsequent correspondence and negotiations that took place.

It is, no doubt, true that when I met you last at Mysore, you were pleased to read out to me certain extracts from a communication from the Government of India on the subject. And from these I gathered that the Government of India have withheld a sum from the surplus which may be required for the execution of schemes which are ready to be taken up in the Civil and Military Station, and that only the balance has been paid. It will help us to a very great extent if we know exactly where we are in the matter and also what the arrangements are for the future surpluses of the Station.

As the matter has been pending for a considerably long time and some final decision is necessary with a view to enable us to adjust our finances, may I request you to be so good as to let me have an idea of the decision of the Government of India, which, I understand, has already reached you?

In this connection, may I request that necessary instructions may be given to pay us the surplus revenues which accrued during the past official year 1921-22?

D. O. letter No. C. 2179-211, dated 23rd October 1922, from the Hon'ble the Resident to the Dewan.

Please refer to your demi-official letter No. R. 19, dated the 15th October 1922, on the subject of the surplus revenues.

2. I am afraid I cannot tell you much that you do not already know about the question of the surplus revenues of the Assigned Tract. The position in 1920 was that under orders of the Secretary of State the surplus for 3 years (1918-19, 1919-20, and 1920-21) was held up to finance various schemes put forward by my predecessor, estimated to cost Rs. 30½ lakhs. The actual surplus for those years was

about 34½ lakhs. The schemes had been delayed owing to negotiations with the Government of Mysore, and in view of the delay and of the financial embarrassment of the Mysore Government, the Government of India decided to hold up 20½ lakhs only for the time being and to make over the balance of the 3 years' surplus to His Highness' Government. This is how you get the 13½ lakhs. The present intention, so far as I am aware, is that you should get the surplus of the past official year in the ordinary course. As regards future years, the policy of the Government of India holds good, *viz.*, to finance approved schemes of town planning out of the Assigned Tract Revenues, but it is hoped to be able to work it in such a way as to remove the uncertainty of the past 3 years. A programme of schemes to be financed from the 20½ lakhs is about to be submitted to the Government of India and, as I understand their letter, no definite communication is to be made to your Government till they have passed orders on them. I believe, however, that His Excellency definitely told His Highness that it was impossible to fix an annual payment and that the tentative proposal made through Colonel Knox was to be considered as withdrawn.

Copy of D. O. letter No. P. 142, dated 24th October 1922 from the Dewan of Mysore to the Private Secretary to His Highness.

I enclose for the gracious perusal of His Highness, a copy of the demi-official letter, dated the 23rd instant, received from the Hon'ble the Resident regarding Civil and Military Station Surplus revenues. The sentence marked is very vague and I think we should insist on the uncertainty being removed.

D. O. letter No. B. 24, dated the 4th November 1922, from the Dewan of Mysore to the Hon'ble the Resident.

When it was decided to hand over to the Mysore Government the annual surpluses of the *pro forma* accounts of the Civil and Military Station, a reserve of Rs. 5 lakhs was proposed to be built up by retaining one-fourth of the yearly surpluses accruing subsequent to 31st March 1911, and utilizing it for the purpose of meeting deficits, if any, in future years. According to this arrangement, the reserve of Rs. 5 lakhs was formed out of surplus as under:—

Year	Amount		
	Rs.	a.	p.
1911-12	61,916	3	11
1912-13	77,607	12	10
1913-14	57,155	0	5
1914-15	58,955	6	9
1915-16	65,111	5	6
1916-17	90,410	8	11
1917-18	88,843	9	8
Total ..	5,00,000	0	0

This reserve of Rs. 5 lakhs was subsequently proposed to be increased temporarily by retaining the whole of the annual surpluses for a period of three years. The particulars of this addition are as under:—

Year	Amount		
	Rs.		
1918-19	9,83,202		
1919-20	9,56,676		
1920-21	9,54,483		

The accumulation commenced from 1st April 1912, and the reserve of Rs. 5 lakhs was made up in six years ending with 1917-18, and it has stood at that amount since then. The surpluses from 1918-19 have been retained for periods varying from one to three years. His Highness' Government are not aware how these amounts have been employed but, to whatever use they may have been put, it is only fair that the revenues of the Civil and Military Station should be credited

with a reasonable rate of interest on the sums that were available for investment year after year. The amounts under consideration cannot obviously have been kept idle as such a course would not be right, and as it would also prejudicially affect the financial interests of the Station.

Considering the purposes for which the reserve of Rs. 5 lakhs, and the surpluses of the three years from 1918-19 were intended, their investment may be presumed to have been of the liquid kind and it is reasonable to hold that fixed deposits in the late Presidency Banks and the present Imperial Bank of India would have been the most appropriate investment for the funds under consideration.

I would in this connection, invite attention to paragraph 4 of the First Assistant's letter dated the 2nd December 1895, in which it is definitely stated that the Government of India have "no desire to enrich the Imperial Exchequer" from the surplus revenues of the Assigned Tract. Also, in Mr. Warburton's letter of 17th July 1912, the following statement occurs:—

"I am to state that the Government of India have no intention to benefiting the Imperial Exchequer at the cost of the revenues of the Bangalore Assigned Tract....."

In the circumstances stated above the Government of Mysore consider that interest on the accumulations from year to year at the rate allowed by the above Banks on deposits fixed with them for a year at a time is creditable to the accounts of the Civil and Military Station, and they will be much obliged if you will kindly support their request and obtain the sanction of the Government of India for affording such credit.

D. O. letter, dated 6th November 1922, from the Private Secretary to His Highness the Maharaja, to the Dewan.

His Highness has seen the Hon'ble Mr. Barton's letter on the subject of the Civil and Military Station Surplus Revenues, forwarded with your letter of 24th October 1922, and desires me to say that we should not allow matters to rest here, but should, as you say, insist on the uncertainty being removed.

In this connection, His Highness directs me to enquire if a letter from him to the Viceroy direct would not, in your opinion, facilitate an early settlement of the whole question. Mr. Barton, as you know, has not as yet communicated to us the decision of the Government of India, and seems to be very reluctant to do so. It may be that it is not to his liking. In any case, it seems to me that His Highness may well remind His Excellency the Viceroy of his promise to have the question settled soon.

His Highness would be glad of your advice in the matter.

D. O. letter No. P. 148, dated 7th November 1922, from the Dewan to the Private Secretary to His Highness the Maharaja.

With reference to your Confidential D. O. letter of the 6th November regarding the Civil and Military Station surplus revenues, I herewith enclose a draft reply to Mr. Barton's D. O. of the 23rd October, for His Highness' gracious approval.

I certainly think that a personal letter from His Highness to the Viceroy direct will have a wholesome effect. In that letter, Lord Reading's promise to dispose of the matter finally at a very early date may be referred to and the present unsatisfactory nature of the communication made by the Resident to the Mysore Government may be pointed out. The fact that the Government of India have withheld Rs. 20½ lakhs according to an arbitrary calculation in respect of works to be financed out of the surplus revenues, does not in any way whatever dispose of the points raised in our representation. I do not know how far Mr. Barton is justified in presuming that no definite communication is to be made to our Government till the Government of India have passed orders on the programme

of schemes to be so financed. As regards future years, the policy of the Government of India, *viz.*, to finance approved schemes of town-planning out of Assigned Tract revenue which Mr. Barton says holds good, is the policy against which we have entered a protest; and there is no certainty as to what we shall get in future years if such a policy is allowed to be acquiesced in by us. At all events, some decision of the Government of India on the various points at issue should, in fairness to the Mysore Government, be communicated, and I think His Highness may appeal to Lord Reading to see that this is done without any further delay.

D. O. letter No. R. 26, dated 10th November 1922 from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

I thank you for your private and personal demi-official letter of the 23rd October on the subject of the surplus revenues and for the information regarding the 13½ lakhs which we have received towards the arrears withheld for the three years 1918-19, 1919-20 and 1920-21. I am glad to have your assurance that we should get the surplus of the past official year in the ordinary course; but I am very much concerned to find from your letter that as regards future years the policy of the Government of India holds good, *viz.*, to finance approved schemes of town-planning out of the Assigned Tract revenue, although you state that it is hoped to work it in such a way as to remove the uncertainty of the past three years. I am desired by His Highness to urge that the Mysore Government cannot see their way to acquiesce in any arrangement which goes against the settlement of the surplus revenue question made in 1912. I think you will agree with me that we are left in a very uncertain position in regard to this recurring source of revenue so far as our budget arrangements are concerned and I think the Mysore Government may legitimately urge that their formal representations on the whole question should now be dealt with in a definite communication to us from the Government of India. I do not quite see how the question of financing works to the extent of 20½ lakhs out of the surplus revenues withheld has any bearing on the general question as regards future years. The amount after all, has been fixed with reference to the proposals put forward and even if the Government of India pass definite orders regarding them, we do not know where we stand in regard to the future, specially as you say that approved schemes of town-planning are to be made from the Assigned Tract revenues. The order of the Secretary of State in respect of which we have made a representation confines itself only to three years and the principle involved in that order, in our opinion, introduces a radical departure from the policy definitely laid down before. Apart from that, His Highness' Government cannot possibly agree to leave the whole question in a state of uncertainty by which in future years, any sum may be withheld or spent towards approved schemes of town-planning. I note that the idea you have in view is to come to a working arrangement so as to remove the uncertainty of the past three years. But I request that you will be good enough to move the Government of India to pass some definite orders if they have not already done so, on the representation of His Highness' Government on the general questions raised in the previous correspondence.

Copy of letter No. C/2225/211, dated the 14th November 1922 from the Hon'ble the Resident in Mysore to the Dewan of Mysore.

Please refer to your Confidential and demi-official letter No. R. 26, dated the 10th November 1922, on the subject of the surplus revenues of the Assigned Tract.

2. The representations on the subject hitherto made by His Highness' Government have been of an un-official nature. Perhaps they would at their leisure send up the case officially. At the same time the Government of India are fully acquainted with the views of the Mysore Government, and if you would prefer it I can address the Government of India and put forward the request of the Mysore Government that the position should be reconsidered. At the same time I do not

think that there is very much hope that the Government of India will change their policy which they have adhered to throughout, that administrative needs constitute the first charge on the revenues of the Station, and that the Government of India is the sole arbiter as to what those needs are. Possibly the uncertainty could be best removed by some form of compromise, *e.g.* fixing for a term of years the proportion of the surplus revenues to be devoted to local requirements. I am not authorised to make a suggestion of the kind, but there would I think be no objection to an informal discussion on this basis on the understanding that neither Government would be committed to any proposal put forward.

D. O. No. P. 160, dated 15th November 1922 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja.

In continuation of my demi-official letter No. P. 148, dated the 7th November 1922, enclosing a copy of my letter to the Hon'ble Mr. Barton regarding the Civil and Military Station surplus, I write for the information of His Highness that I had a discussion with Mr. Barton on Saturday last on the subject. Mr. Barton seemed to be under the misapprehension that no official reply was due and he asked me to write officially on the subject so that he could forward it to the Government of India. The demi-official letter which I have received to-day (copy enclosed) confirms the view that Mr. Barton is still labouring under some misapprehension. In the course of the discussions, Mr. Barton said that he sympathised with the position of the Durbar which was one of great uncertainty, but he was prepared to discuss a compromise although he was not authorized by the Government of India to suggest any. I very clearly pointed out to him that even in regard to the withholding of the three years' surplus, an appeal was pending before the Government of India and no orders have been passed thereon and as regards the new principle laid down, *viz.*, that the improvement works of the Assigned Tract area shall be met wholly from the revenue of the tract in future years, it re-opens a case once settled in 1912 and some orders are necessary with reference to the representations that we have urged.

I now propose to send Mr. Barton a copy of our previous official letter to which no reply has yet been received and point out to him that his statement that all the representations made by His Highness' Government have been till now of an unofficial nature is not correct. It is after we despatched the letter that unofficial discussions and negotiations took place in Col. Knox's time. Till now we have received no communication of an official character on the subject from the Government of India.

I do not know whether we should agree to have an informal discussion with the Resident on the subject of any compromise that he may put forward based on the principle of "fixing for a term of years the proportion of the surplus revenues to be devoted to local requirements." Joining in any such discussion may be interpreted by the Government of India or the Resident as if His Highness' Government have given up the position that they have been holding to the effect that the settlement of 1912 should not be disturbed. "Local requirements" is a vague phrase. In the private and personal letter of the Resident of the 23rd October, the Resident expressed the case differently that is to say, the policy of financing approved schemes of town-planning out of the Assigned Tract revenue held good.

D. O. letter, dated 16th November 1922, from the Private Secretary to His Highness the Maharaja to the Dewan of Mysore.

Please refer to your Confidential D. O. letter No. P. 160, dated the 15th November 1922, with reference to the Surplus Revenue question. His Highness thinks that you need merely point out to Mr. Barton that a reply is due from the Government of India to our representation, and that it is for them to let us know what "conclusions"—to use the Viceroy's language—they have arrived at in the matter. Mr. Barton's attention may be drawn to His Excellency's letters to His

Highness of May last. It is difficult to understand how he can, in the face of the Viceroy's assurances, expect us to enter into any kind of discussion with him now, more so on a basis so entirely opposed to the Settlement of 1912.

You may later on, that is some days after the despatch of His Highness' letter to the Viceroy, tell him that His Highness has written to the Viceroy on the subject, and that His Excellency's reply may be awaited.

D. O. letter No. R. 29, dated 18th November 1922 from the Dewan of Mysore, to the Hon'ble the Resident in Mysore.

I am obliged to you for your letter of the 14th November 1922, on the subject of the surplus revenues of the Assigned Tract. May I point out that a reply is due from the Government of India to our official communication which was sent to the Residency in our letter of October 1920? May I also invite your kind attention to the letter from His Excellency the Viceroy to His Highness the Maharaja in May last in which His Excellency was pleased to say "I am in communication with the Secretary of State about the surplus revenue case and I trust that I will soon be in a position to inform Your Highness about the conclusions at which we have arrived and that those will be acceptable to Your Highness". The conclusions the Government of India have arrived at in the matter may now be communicated if you see no objection. I feel that it will be difficult at the present moment to enter into any discussions as regards the future settlement of the question which, on the basis now indicated by you, is entirely opposed to the settlement of 1912. I am also asking the Financial Secretary in whose name the official letter was issued, to send a further communication referring to the letter of October 1920 in accordance with your suggestion that the case should be sent up officially.

Copy of official letter No. 2289/211, dated the 20th December 1922, from Mr. F. Williamson, I.C.S., Secretary to the Hon'ble the Resident in Mysore, to the Financial Secretary to Government.

I am directed to refer to your letter No. Pol. 457, dated the 23rd November 1922 on the subject of the surplus revenues of the Assigned Tract and to say that a copy of your letter No. 455, dated the 15th October 1920 was forwarded to the Government of India by the Resident who at the same time expressed his views on the subject. It will be remembered that extracts from the Resident's letter in question were communicated to the Dewan with Major Plowden's confidential and demi-official letter No. C. 1777/211, dated the 22nd April 1922 with the intimation that the Government of India further directed that the Government of Mysore should be informed that the views expressed in the extracts were those of the Government of India.

2. The Resident has no reason to suppose that the views of the Government of India have since undergone any substantial modification. The Resident was recently directed to submit schemes of town improvement to be financed out of the surplus still retained, viz., 20½ lakhs. The final orders passed by the Government of India on these proposals and on the general position as regards the financing of schemes of improvement in the Assigned Tract from surplus revenues will be communicated in due course. So far no reply has been received.

Copy of the Dewan's Submission Note to His Highness, dated the 22nd December 1922.

I request reference to my Submission Note, dated 14th September 1922. With the permission of His Highness, I made an enquiry of the Resident as to whether any orders of the Government of India had been received on the representation
C. & M. S.

made by us in regard to the surplus revenues of the Civil and Military Station—both the with-held arrears and the future surpluses—in our letter No. 455, dated 15th October 1920. On the 13th October 1922 Major Plowden wrote to say that Mr. Barton had communicated to me the general purport of the orders of the Government of India on the subject and that an official communication would be made shortly. Mr. Barton had not communicated any *orders of the Government of India* to me and I awaited the promised official communication to see what orders were really being referred to. As that communication was not received until the 23rd November last, I sent a reminder in my letter of that date briefly stating the position in regard to the question and pressing for early orders of the Government of India regarding it. The Residency letter, dated 20th December 1922 which is herewith submitted for perusal, is the reply to this reminder.

This letter gives an entirely wrong account of the present position in regard to the question and it also assumes that the matter has been decided against us. The Resident's letter, the extracts from which were communicated to us in April last, and which is stated to express the views of the Government of India, is dated 12th November 1920. In submitting to the Government of India our letter of the 15th October 1920, the Resident made his own representation and tried to challenge our arguments in his letter of the 12th November 1920. It is surprising that we should be asked to treat the representation of one of the parties as the order of the deciding authority. Apart from this fact, any opinion held in 1920 cannot now represent the attitude of the Government of India towards the question. Such a view would overlook the whole of the negotiations relating to the offers for the settlement of the question made by the Government of India subsequent to November 1920 and our views about such offers. It is unreasonable to contend that the question is now at the stage left in the Resident's letter of the 12th November 1920. We have all long been contending that the Government of India have not considered the representation made in our letter of the 15th October 1920 and that a formal and definite reply to it is still due to us. I made this quite clear to Mr. Barton in my interview with him on the 7th April 1922. When the negotiations referred to above fell through, the earlier and counter-representation made by the Resident in his letter of the 12th November 1920 should also be considered as having fallen through, leaving the representation made by us in our letter of the 15th October 1920 as an unsettled question. The contention that the Resident's letter of the 12th November 1920 represents the final decision of the Government of India overlooks the most important fact that His Highness had an interview with His Excellency the Viceroy at Simla in April last. Even the payment of 13½ lakhs already made would be inconsistent with the decision of the Government of India if that decision is held to be contained in Mr. Barton's letter of the 12th November 1920 as, so far as the extracts from that letter have been communicated to us, he did not propose in that letter to give us any portion of the withheld surpluses: on the contrary he proposed to spend 25 to 30 lakhs, *i.e.*, about the whole of the surplus for the three years, on improvements of the Station.

The assumption made by Mr. Barton that the case has been closed and that the decision has gone against us has to be contradicted at once and I therefore propose to address him as in the draft put up and I solicit His Highness' gracious approval to issuing it.

If the Government of India also persevere in stating that Mr. Barton's view contained in his letter of the 12th November 1920 is their final word in this matter I am afraid we shall have to appeal to the Secretary of State.

I may report that I enquired of the Resident as to when we might expect the amount due for the year 1921-22, to which the orders for withholding the surpluses do not apply. The reply to this enquiry received on the 7th instant states that the pro-forma account of the Station has been sent to the Accountant-General, Central Revenues, and that on its receipt from that officer the Government of India will be addressed in the matter. This reply is vague as it does not definitely tell us clearly that the realised surplus of the pro-forma account will be handed over to us although in a previous communication it was indirectly stated that this surplus would be paid as usual.

Copy of D. O. letter No. R. 41, dated 4th January 1923 from the Dewan of Mysore, to the Hon'ble the Resident.

I have seen Mr. Williamson's letter of the 20th December 1920 to the Financial Secretary and hasten to write to you to state that it does not give a correct idea of the present position in regard to the question about the surplus revenues of the Civil and Military Station. I am not sure if it is really meant that the views contained in your letter of the 12th November 1920 should be regarded as the decision of the Government of India on the representation of the Government of Mysore made in their letter No. 455, dated 15th October 1920. There has been a good deal of correspondence on the subject since the letter of the 12th November 1920 was addressed to the Government of India and the important issues raised still remain unsettled. I would invite attention to my letter of the 14th April 1922 in which I stated that the Government of Mysore had received no reply to their representation of October 1920 and that His Highness the Maharaja was proceeding to Simla to discuss this matter with His Excellency the Viceroy. I do not think the question can be considered as having been settled by the communication of extracts from your letter of the 12th November 1920 or that the Government of Mysore have acquiesced in the arrangements stated to be in contemplation for the utilization of the balance of 20½ lakhs due for the three years ending with 1920-21. In these circumstances, I shall be much obliged if you will kindly obtain the orders of the Government of India on the representation of the Government of Mysore made in their letter of the 15th October 1920. I regret to have to be so insistent on this matter but the issues are so important and also the uncertainty of the position is so very embarrassing that there is no other alternative but to press for a definite decision without any further delay.

Copy of D. O. No. C/2321/211, dated 15th January 1923 from the Hon'ble the British Resident in Mysore to the Dewan of Mysore.

Please refer to your confidential and demi-official letter No. R. 41, dated the 4th January 1923, on the subject of the Surplus Revenues of the Assigned Tract of Bangalore.

2. The questions raised by the Mysore Government in their letter No. 455, dated the 15th October 1920 will again be submitted to the Government of India. At the same time I am of opinion that the Government of India intended that the communication to the Mysore Government of passages from the Residency letter, dated the 12th November 1920, dealing with the representation made in their letter of the 15th October 1920, should be considered as a reply to the contentions raised in that letter. The Government of India observe that the claims advanced by the Government of Mysore to the retention of the surplus have been effectively disposed of in the arguments set out in the Residency letter, and they direct that the views expressed should be communicated to the Mysore Government as the views of the Government of India. There can, I think, in the face of these observations be no question whatever that the Government of India intended that their letter should finally dispose of the contentions advanced by the Government of Mysore.

3. The weakness of your case lies in the fact that in the arguments advanced in October 1920 you omit mention of one of the most important of the series of pronouncements made by the Government of India with regard to the surplus revenues. I refer to the statement that the administrative needs of the tract constitute a first charge on its revenues, and that the Government of India are the sole arbiter as to the nature and extent of those needs. Anything said in 1912 was subject to this earlier condition. That it was always implied that the Government of India had reserved to themselves full authority to deal as they choose with the revenues for the purposes of the Tract, is clearly apparent from the emphatic assertion in 1917, that the payment of any part of the surplus both as regards the method of computation and the manner of payment is an act of grace, the Durbar not being entitled to claim any share in the revenues as a matter of right. I may perhaps tell you that the full weight of the authority of the Imperial Government lies behind this statement.

4. The Tract was assigned to the British Government in full jurisdiction under the Instrument of Transfer, and the arrangement carried with it the rights of Mysore to the Revenues. A vague promise was made soon after the transfer, that if a substantial surplus should accrue over and above the administrative needs of the tract, some allowance might be made on that account in calculating the subsidy payment. There is no room for any 'claim' here, nor was anything in the nature of a 'claim' admitted in 1912.

5. I have written at some length because I feel it would be quite useless from your point of view simply to ask the Government of India to consider the representations put forward in your letter already cited. You have to meet the arguments on the other side.

6. I am in some uncertainty as to what His Highness' ideas were on the subject in May of last year. I believe his desire was that the accumulated surplus should be handed over and that a fixed annual payment equivalent to a rent should be made for the tract by the Government of India. I believe His Excellency the Viceroy told His Highness that a fixed annual payment was impossible. It was decided, in view of the financial embarrassments of the Durbar, and of the delay likely to occur in carrying out schemes already sanctioned in principle, to pay 13 lakhs to your Government out of the surplus. The right of the Mysore Government to challenge the authority of the Government of India to spend the surplus on schemes they judged to be for the benefit of the Station was not admitted. That is how the case stands. Perhaps you may wish to amplify the former arguments. If not, I will ask the Government of India to pass formal orders on the representation made in 1920. You will understand that if any change of policy is contemplated a reference to the Secretary of State would be necessary.

Copy of letter No. Pol. 760, dated 15/16th February 1923 from the Financial Secretary to Government, to the Secretary to the Resident in Mysore.

I am desired to invite reference to the correspondence ending with your letter No. 9613/116-1922, dated 7th December 1922 stating that the *pro forma* account of the Civil and Military Station for the year 1921-22 has been sent to the Accountant-General, Central Revenues, and that on its return from that officer, the Government of India will be addressed. It is now nearly eleven months since the year closed and I am to request that very early arrangements may kindly be made for the payment of the amount due for that year. The Government of Mysore have taken credit for the amount in their Budget Estimates for the current year and its early receipt is necessary to prevent the dislocation of their financial arrangements. It may therefore be kindly stated when payment can be expected.

Copy of letter No. 1988/116-1922, dated 5th March 1923 from the Secretary to the Resident in Mysore to the Financial Secretary to Government.

With reference to your letter No. 760-Pol., dated the 15th/16th February 1923, I am directed to state that the *pro-forma* account of the Civil and Military Station, Bangalore, for the year 1921-22 has since been received from the Accountant-General, Central Revenues, Calcutta, and forwarded to the Government of India with the request that orders may be communicated by telegram.

2. A further communication will be made on receipt of a reply.

Demi-official letter No. C—2498-211, dated the 13th April 1923 from the Secretary to the Resident in Mysore, to the Dewan of Mysore.

I am desired to refer to your confidential and demi-official letter No. R. 24, dated the 4th November 1922, regarding the payment of interest on the reserve and the surplus revenues of the Assigned Tract, and to state that the Government of India are not prepared to discuss the proposal.

2. The interest on the standing reserve, which will be invested in Government of India securities, will go to swell the revenues of the Assigned Tract, just as any other sources of revenue do. If there is eventually a surplus the Mysore Government will benefit to the extent of such part of the surplus as may be handed over to them.

3. In the case of the surplus which has recently been accumulated, the money was retained pending the settlement with the Mysore Government of the procedure to be adopted for the disposal of the surplus revenues and, had it not been for the delay in the negotiations, the money would have been used at an earlier date for works in the Assigned Tract or, had there been a surplus after the needs of the Assigned Tract had been met, would no doubt have been handed to the Mysore Government. The Government of India received no interest on the money themselves and are not disposed to admit any claim for interest during this period by His Highness' Government.

4. I am further desired to inform you that the Resident hopes very shortly to address the Mysore Government officially on the subject of the future policy regarding the disposal of the surplus revenues of the Assigned Tract.

Copy of Confidential D. O. letter No. P. 314—En. 1, dated 14th April 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

I beg to submit, for His Highness' gracious perusal, a copy of Mr. Barton's * demi-official letter No. C/2499/556 of the 13th instant regarding correspondence and the papers on the subject of the Surplus Revenues of the Assigned Tract.

[* *Re* Newspaper articles on Surplus question.]

Yesterday, I had a discussion with the Resident on one or two matters and the surplus revenues of the Assigned Tract came in as one of the topics. During the discussions, Mr. Barton said that we are likely to get more than seven lakhs as revenue for the year ending last March but I do not think we need take credit for more than seven lakhs at the present moment. He also said that he had received a communication from the Government of India, of a very complicated nature on the subject and that he was shortly addressing His Highness' Government in the matter. We may await this communication which is referred to in Mr. Barton's present letter that is enclosed, before taking any further action.

Letter No. C. 2534—211, dated 7th May 1923 from the Secretary to the Resident in Mysore to the Financial Secretary to Government.

I am directed to refer to the correspondence resting with Mr. Williamson's letter No. C.—2289-211, dated the 20th December 1922 on the subject of the surplus revenues of the Assigned Tract and to convey the orders of the Government of India on your letter No. 455 dated the 15th October 1920.

2. In this letter the Mysore Government make three representations which may briefly be summed up as follows:—

- (a) The withholding of the accrued surpluses for the years 1918-19 and 1919-20 is opposed to the declared policy of the Government of India.
- (b) The schemes of improvement contemplated in the Station are not ready and in view of the proximity of the Station and the City, improvement schemes should be jointly considered by the authorities of both.
- (c) If any large expenditure is eventually decided upon for independent improvements in the Tract on the ground of its being an important Military Station, such expenditure should rightly be borne by Imperial Revenues.

3. As regards (a), large sums aggregating approximately 24 lakhs have been paid over to the Mysore Government since your letter was written. The reasons

c. & m. s.

for withholding the balance of 20½ lakhs have been fully explained to His Highness' Government and I am to refer in particular to Major Plowden's confidential demi-official letter No. C.—1777-211, dated 22nd April 1922, and its enclosure, to the address of the Dewan. The Resident does not consider it necessary to reiterate the arguments contained in the enclosure to this letter as this would merely be traversing the same ground over again. As already stated, the views expressed are those of the Government of India and I am to request that this letter and enclosure may be treated as forming part of the official correspondence on the subject of the surplus revenues.

4. Turning to (b) I am to say that the Government of India have approved of

	Rs.
1. Knoxpet scheme for housing the poor ...	4,50,000
2. Pumping plant in connection with the Grass Farm Sewage scheme ...	1,15,000
3. Hospital equipment ...	29,000
4. Market ...	4,22,300
5. Bazaar sewerage scheme (Blackpalli area only) ...	74,000
6. Improvements to the main sewer ...	43,775
7. Opening out slum areas in Ookadpaliam and building of new houses ...	7,25,162
8. Improvements to roads ...	1,14,500
9. Schools ...	81,580
10. Additions to St. Joseph's College ...	65,000
11. Good Shepherd Convent sewage scheme ...	20,000
Total ...	21,40,217

all the schemes noted on the margin proposed by the Resident, with the exception of items 5 and 6 for which they have asked for detailed plans and estimates, for the improvement of the Civil and Military Station, Bangalore, on which the withheld amount of 20½ lakhs will be expended and they will be put in hand without further delay. Further reference will be made at a later stage in this letter to the question of joint consider-

ation of future improvement schemes by the authorities of both the Station and the City.

5. As regards (c) the Government of India have decided that, in accordance with the principles already laid down and approved by the Secretary of State, while it is the intention of Government not to enrich the revenues of British India from the Assigned Tract and in virtue of that intention Government will pay the annual surplus to the Mysore Government, such surplus will only be paid after the administrative needs of the Station have been met, including special grants for development purposes.

6. For the carrying out of this policy, the Government of India have decided that the following procedure shall be adopted in the future. Provision will be made for building up a reserve fund of three lakhs for the purpose of meeting possible deficits and, subject to the maintenance of this minimum reserve, the surplus will be handed over annually to the Mysore Government as soon as it is ascertained. The above procedure will obtain where there are no current or future schemes of development to be provided for.

7. Where there are such schemes to be provided for, the Government of India will decide, after considering the recommendations of the Resident and the Municipal Commission, how much out of the surplus existing at the end of the year should be put aside to finance them and the balance will be handed over. As a precaution against merely speculative retention of surplus monies, no portion of the annual surplus will be withheld except for the purpose of financing some scheme which has already received Government's approval. In addition, while it is held that the Mysore Government cannot claim as of right to be consulted in regard to scheme for the internal development of Bangalore regarding which negotiations with them are not essential, important schemes of this description will be referred informally to the Durbar if the Resident considers that their interests are affected otherwise than by merely reducing the surplus. All schemes which are not within the Resident's power of sanction or which involve an expenditure of over Rs. 20,000 will be treated as "important" for this purpose. In this manner provision is made to meet the wishes of the Mysore Government to be consulted in schemes of importance.

8. In conclusion I am to refer to the previous offer made by the Government of India to His Highness' Government to make an annual payment of 4 lakhs together with a lumpsum payment of 12 lakhs. The Durbar did not see their way to accept this offer and it is understood that they now feel some disappointment at

the decision of the Government of India to treat it as having lapsed. The Government of India fully recognise the advantages of fixed payments in reducing the possibility of delay and friction, but it will hardly be contended that the proposals set forth in this letter in regard to the recurring settlements are not a strict fulfilment of the spirit of their undertaking. The Durbar cannot, and the Government of India feel sure, will not desire to claim more than the surplus whatever it may be, but further consideration since the offer of a recurring payment of 4 lakhs was made, has convinced the Government of India that it would not be safe to count on an annual surplus of this magnitude. Indeed it is possible that the acceptance by His Highness' Government of the offer which was made would have involved a heavy recurring charge on the revenues of British India which the Government of India would have found it difficult to justify to those on whom the burden would have fallen. On the other hand, should the apprehension of the Government of India not be realised and should there be a recurring surplus in excess of 4 lakhs, the Mysore Government will benefit to the extent of the excess.

9. In conveying these orders of the Government of India, I am to express the hope that His Highness' Government will recognise and appreciate that a solid endeavour has been made to lay down a clear and definite policy on a basis equitable to both parties. It has at least the merit of establishing a workable system which will once and for all do away with the delay and uncertainty which have been such an unfortunate element in the treatment of the problem in the past. Mr. Barton earnestly trusts that His Highness' Government will see their way to accept without further demur the solution which is now offered to them. It would be the greatest satisfaction to him to know that this difficult problem, which has for so long been a source of vexation no less to the Residency than to the Durbar, has received its final quietus.

SUBMITTED TO HIS HIGHNESS.

I beg to submit for the gracious perusal of His Highness, Residency letter of the 7th May 1923 marked "Confidential" on the subject of the Surplus Revenues of the Assigned Tract. The case will be fully considered and a draft reply submitted for His Highness' approval as soon as possible.

2. In the meantime, I agree with the Financial Secretary that the position as disclosed in the letter is not a very satisfactory one. The main point is that there is a very serious misconception on the part of the Resident and eventually on the part of the Government of India as regards the Territorial Revenues and Municipal or Local Revenues. The schemes in respect of which nearly 21 lakhs of rupees of the Surplus Revenues have been withheld are, for the most part, Municipal schemes which will enable the Municipal Commission of the Civil and Military Station to derive additional Municipal revenues; as such it is a common practice and, in fact, it is the rule everywhere for the Municipal revenues to finance such schemes or for the Municipal Commission to raise debentures or loans for financing them. Taking but one instance, the Market is expected to cost nearly Rs. 4½ lakhs and it is evident that the Municipal Commission expect to get very handsome revenue out of this new market. Such being the case, it is clearly unjust and against the claims of previous settlements that the Assigned Tract Revenues should finance these local Municipal schemes. Secondly, the phraseology in paragraph 5 of the letter is wide and in many respects not applicable to the present case. To say that the "surplus will only be paid after the administrative needs of the Station have been met" may be correct in a sense, but to qualify the statement by adding the words "including special grants for development purposes" upsets the whole position and practically brings us back to where we were when this controversy was started; thirdly, it is quite clear by 'development schemes' the Government of India mean schemes for the development of the area within the Civil and Military Station which will be to the profit and financial advantage of the Municipal Commission. It is not at all right that the Territorial revenues which should go to the credit of the sovereign rights of the territory concerned should in this manner be diverted for the purposes of development schemes which will profit the local administration like the Municipal

Commission of Bangalore. For, this means that the Municipal Commission can always rely upon, irrespective of the question of developing their own resources, doles from the Government of India, which they would have to make under ordinary circumstances, but which they now intend to draw from the surplus revenues of the Assigned Tract which are payable under the settlement of 1912 to the Mysore Government.

3. In connection with the Sewage Farm scheme, I have already told the Resident that the Durbar would strongly object to the cost of the scheme being debited to the Assigned Tract Revenues. We see from the list given in paragraph 4 of the letter under reference that Rs. 1,15,000 is included in the total of Rs. 21,40,217 to be debited towards the Surplus Revenues. I am afraid, the controversy is by no means at an end and we have to put up a strong fight and contest the position now put before us in regard to the utilisation of the Surplus Revenues towards the development schemes of the Civil and Military Station, which are in common practice everywhere in British India financed largely from the local or Municipal resources. At all events, there is no indication that the Municipal Commission of Bangalore is going to give back any portion of their large income which they may derive by these development schemes to the Surplus fund and as such we cannot agree to the expenditure out-right from the Surplus Revenues on account of such schemes which will only enrich the coffers of the Municipal Commission.

FERNHILL, }
9th May 1923. }

A. R. BANERJI.

Extract from the Dewan's notes of discussion with the Hon'ble the Resident in Mysore, on 2nd July 1923.

* * * *

I told the Resident that we are going to address a communication expressing the views of the Government on the subject of debiting the C. & M. S. surplus revenues with the expenditure connected with the Municipality of the Civil and Military Station. I said that it was wrong not to differentiate between the expenditure required for administrative purposes and expenditure required for local administration connected with Municipal government, and that the latter has to be met from the reserves of local administration or from doles from the Imperial Government, but not from the surplus revenues of the Assigned Tract.

I pointed out that on this ground the cost of the military grass farm cannot be debited, as proposed, to the surplus revenues. The Resident had nothing to say in reply to these objections but asked whether we are going to hold up the grass farm scheme on this account. I pointed out that the matter is under consideration and I hoped to send a full reply to the Residency at an early date and reminded him that that was one of the objections that were put forward in our very first letter of May last year. The grass farm case is being submitted to His Highness to-morrow with Council resolution.

Letter No. Pol. 56, dated Bangalore, the 23rd July 1923 from the Chief Secretary to the Government of Mysore to the Secretary to the Hon'ble the Resident in Mysore.

I am directed to acknowledge the receipt of your confidential letter No. 2534/221, dated the 7th May 1923, on the subject of Surplus Revenues of the Assigned Tract of Bangalore, and to state that His Highness' Government feel greatly disappointed that the representations which they made in my letter No. 455, dated the 15th October 1920 and also in several other subsequent communications have not resulted in any satisfactory solution of this long pending controversy. They are, therefore, reluctantly compelled to make further representations on the subject and express the hope that the Government of India will be pleased to consider them in a fair and sympathetic spirit.

2. In the first place, they desire to express their acknowledgments to the Government of India for the payment of Rs. 13½ lakhs out of the surpluses withheld for the 3 years commencing from 1918-19 out of the total sum of Rs. 34 lakhs, which include the reserve of Rs. 5 lakhs contributed from the surpluses of the years 1911-12 to 1917-18. There is thus a balance of Rs. 20½ lakhs still withheld and it is stated that this will be expended for carrying out the schemes enumerated in paragraph 4 of your letter under reply, which are estimated to cost a sum of Rs. 21,40,207. Further reference will be made at a later stage in this letter to the nature of the schemes in contemplation as well as to the procedure suggested for the future, but His Highness' Government would again, without reiterating all the arguments and reasons which they have repeatedly urged, submit for the consideration of the Government of India that the solution now offered by them in regard to the withheld surpluses as well as to surpluses that would accrue hereafter, constitutes in all essential respects a radical departure from the policy enunciated in 1912.

3. It has been repeatedly and consistently urged that the principles underlying the settlement of 1912 should not be departed from. That settlement was perfectly clear and equitable and the Government of Mysore cannot persuade themselves to believe that a virtual repudiation thereof is now contemplated. It had established a smooth, workable system and no difficulty or doubt was experienced by either party in giving effect to its provisions. The surplus was calculated and handed over to the Durbar in accordance with *pro forma* accounts pertaining not to one or two years but for a long period of 36 years, *viz.*, 30 years prior and 6 years subsequent to the decision. The only point left for further consideration was as regards the charges coming under the heads Education, Sanitary, and Medical and even there, a hope was expressed by the then Resident that a "satisfactory decision will be reached in due course." The following extract from his letter dated 11th December 1913 explains the position:—"I am, however, in correspondence with the Government of India on the question of what proportion of these grants and of any similar grants made hereafter may, in fairness, be debited to the revenues of the Assigned Tract and what proportion should be met from Imperial revenues." There was no question then of debiting to the Assigned Tract revenues the entire charges incurred on these two objects; and as a matter of fact, a share of such expenditure was actually borne by the Imperial revenues until March 1916. (Please see Residency letter dated 2nd August 1917.)

4. But Major James' letter of 2nd August 1917 proposed, for the first time, to modify the settlement of 1912 by creating a reserve of Rs. 5 lakhs from the annual surpluses. The same officer's letter of the 5th December 1918, went very much further; it was stated that any particular payment made in accordance with the general principles both as regards its amount and the method of its calculation is an act of grace, the Durbar not being entitled as a matter of right to claim the whole or any part of the revenues of the Tract. In the communication now

received, a more stringent reservation is proposed, viz., that such surplus will only be paid after the "administrative needs of the Station had been met including special grants for development purposes" and it is also laid down that "while it is held that the Mysore Government cannot claim as a right to be consulted in regard to the schemes for the internal development of Bangalore, regarding which, negotiations with them are not essential, important schemes of this description will be referred informally to the Durbar if the Resident considers that their interest is affected otherwise than by merely reducing the surplus."

5. The Durbar desire once more to emphasize the fact that no difficulty was experienced in giving effect to the settlement of 1912 till the year 1917, when a new interpretation was sought to be put on the whole transaction and new meanings read into what had been stated to be "frank pronouncements of policy". The Government of Mysore are gratified to note that the claim of the State to the surplus is no longer disputed and that it is reaffirmed in your letter that the Government of India have decided that in accordance with the principles already laid down, it is not the intention of Government to enrich the revenues of the British India from the Assigned Tract, and in virtue of that intention, Government will pay the annual surpluses to the Mysore Government.

The Durbar must, however, explain their views generally in regard to the administrative needs and development schemes in the Civil and Military Station, the cost of which is intended to be debited to the revenues of the Assigned Tract. They are certainly not averse to a reasonable share of these revenues being so debited, but they regret that they cannot agree to the many new conditions and principles introduced in your letter which virtually deprives them of any real voice in determining that share and which tantamounts to a reversal of the policy that was settled after long discussion in 1912.

6. The Durbar apprehend that the solution now offered, viz., that the annual surplus will be paid after the administrative needs of the Station have been met, including grants for development purposes, is not only at variance with the settlement of 1912 in essential respects but is also too vague and indefinite to preclude any possibility of further controversy between the Government of India and His Highness' Government, which has for so long, to quote the words of your letter, "been such a source of vexation no less to the Residency than to the Durbar."

7. It is necessary to state, in the first place, that the administrative needs can only relate to the ordinary charges of the civil administration of the Tract and should not include those arising directly or indirectly or even partially from the occupation of the area as a Military Station. Secondly, the Government of Mysore cannot agree to the inclusion, under administrative needs or as a separate charge, of special grants for development purposes, without a clear understanding as to the character of the schemes and the principles on which the grants for such schemes should be made. The present proposal introduces a new principle altogether. His Highness' Government welcome the declaration that they would be consulted in regard to the commitments involved in such development measures in future, but are unable to see why they were not consulted in respect of the projects enumerated in your letter. These, if examined carefully, would justify their apprehension that under administrative needs, including special grants for development purposes, many schemes may be contemplated which should not be rightly debited to the surplus revenues.

8. Were any proof needed to justify the fear which they entertain as to the disposal of future surpluses in accordance with the policy of the Government of India adumbrated in your letter under reply, it is amply furnished by the schemes mentioned in your letter, which have already obtained the approval of the Government of India and are to be started almost at once. The Durbar can only express surprise at the proposal to finance such projects out of the surplus revenues. It may be asked if the cost of the market and of the pumping plant in connection with the Grass Farm and the Sewage Scheme, which are *productive* works, are debited to the Assigned Tract revenues, whether it is contemplated that the income derived from them should be credited to the same head and not to the Municipal Commission. The housing of the poor and the opening out of the slum areas are both works which have never been charged to the Assigned Tract revenues before. Such works are generally carried out by the Municipalities themselves everywhere

either from their own revenues or from loans. The proposal to contribute Rs. 1,14,500 for the improvement of roads is no less extraordinary. The grants proposed for the schools have hitherto come partly, if not chiefly, from Imperial Revenues. The proposal is directly opposed to the oft-expressed intention of the Government of India not to benefit the Imperial exchequer at the expense of the revenues of the Tract, and which has now been reiterated in your letter under reply. Nor is it clear why the Good Shepherd Convent scheme should be financed from the Assigned Tract Revenues. No information has been furnished about Rs. 81,000 proposed to be spent for the schools (item 9). To say that the surplus, after meeting the cost of new development schemes, will be handed over annually, is tantamount to refusing payment altogether; for, it is inconceivable that the whole of the available revenues of the Assigned Area cannot be used up on various schemes of developing it, if only the money were forthcoming.

9. Another serious objection to the proposal is that the procedure contemplates the recommendations of the Municipal Commission of the Civil and Military Station in regard to the expenditure out of the surplus being considered by the Government of India along with those of the Resident. The Durbar would submit that the Municipal Commission have never had in the past, and cannot be admitted to have in the future, a voice in any understanding that might be reached between the Government of India and the Mysore Government, in regard to the disposal of the surplus revenue of the Assigned Tract.

10. While gratefully appreciating, therefore, the desire on the part of the Government of India to lay down a clear and definite policy on a basis equitable to both parties, the Durbar fear that any attempt to debit the surplus with charges that should clearly fall on Municipal revenues and resources or be met from special grants, does not furnish a proper or workable solution of the difficulty, and is likely to be a continuous source of friction in the future.

11. In these circumstances, I am to express the earnest hope of the Durbar that a clear and definite understanding be arrived at, which will keep in view the underlying principles of the settlement of 1912, so that the revenues of the Assigned Tract may not be debited with items of expenditure which are not properly chargeable to them.

EXTRACTS FROM THE DEWAN'S REPORT OF DISCUSSIONS DURING HIS VISIT TO SIMLA IN JULY AND AUGUST 1923.

On the previous day, I sent to the Private Secretary to His Excellency the Viceroy, Sir Geoffrey de Montmorency, a complete set of papers relating to the matters upon which I intended to make personal representations. The most important of the papers previously sent up were an informal note on the Surplus Revenues question based on the recent order of the Government of India and the official letter which we despatched, dated the 23rd July. A copy of this note is printed below as this is important.

Note (Informal) on the Surplus Revenues of the Assigned Tracts of Bangalore based on the recent Orders of the Government of India.

In May last year, when His Highness was at Simla, he wrote as follows in a private letter to His Excellency the Viceroy :—

“ All that I expect is—I do not think I am unreasonable—that the decision of 1912 which was arrived at after prolonged correspondence and acted upon for six successive years, may be observed in the spirit as

well as to the letter, without introducing new departure which would, in effect, nullify that settlement. I have every hope that the promise will always be observed in the spirit in which it was made to us.

“I do not claim for the Durbar more than the surplus, whatever it may be, accruing to the *pro forma* accounts, and I shall be perfectly satisfied with ‘an annual settlement based on actual income and expenditure.’

“As regards future requirements, however, I trust that there will be no objection to the Durbar being given an opportunity to state their views for the information and consideration of the Government of India. I think Your Excellency will agree that their views may, conceivably, help the Government in arriving at a correct and impartial decision in respect of new schemes which the Resident may submit for their sanction. I refer only to those schemes the cost of which is proposed to be met from and is rightly debitable, wholly or partly, to the revenues of the Assigned Tract.”

This letter may be considered to mark a definite stage in the discussions after a great deal of correspondence and the present reply may be viewed as the result of all the representations the Durbar have made till now.

Desire of the Municipal Commission to make the Surplus a convenient fund for all its development schemes.—It would appear that in 1918, the Municipal Commission of Bangalore framed proposals for certain new schemes with a view ultimately to meet the major portion of the cost thereof from the surplus of the Assigned Tract revenues and, in framing these proposals, they had the moral support of the British Resident. It was the Collector of the Station that apparently prepared the notes in which it was urged that if the Commission asked for a grant from the Government of India, it was not the Government of India that had to pay the money as it could be met from the surplus of the Assigned Tract Revenue. The Municipal Commission saw in this surplus and in future probable surpluses, a fund which was available for their development schemes and which could save them from the burden of repaying capital and interest on large loans they would otherwise have had to raise and also save the Government of India itself from the grants which they would otherwise have had to make for such purposes, as indeed they had been doing in the past. This aspect of the case was brought to the notice of the Political Secretary when His Highness was at Simla. It has apparently been totally overlooked by the Government of India in the proposals now made.

Desire of the Resident to divert the surplus for raising the Station to “a higher plane of civic advancement”.—In the Resident's D. O. letter of the 12th November 1920, an indication of his policy towards the development of the Civil and Military Station is clearly shown. (Please refer to Paragraph 13.) According to his estimate, an expenditure of Rs. 25 to 30 lakhs for the development of the Station would not be unreasonable considering the very large surplus revenues and the importance of the Station as a *Military*, residential, commercial and educational centre. Further, the Resident's view, that the Station is entirely a European centre apart from its military importance, and that there must be a gradual evolution of a higher plane of civic advancement so far as European life and activities are concerned, has to a large extent influenced the proposal now made. The Resident stated in his letter that there was no intention to expand the Station on its military side and that he agreed with the view that the surplus should be used for the purpose of improving the conditions of life in the Station provided that the expenditure was confined to the lowest possible limits.

Obligations of the Municipality to provide for its own needs.—If the tract owing to its climatic and residential advantages attracts a large number of pensioners and other members of the European community from all parts of India, then surely it is the duty of the Municipal Commission to provide from its revenues and resources the necessary funds to improve the conditions of life in that area; the Municipal revenues have been augmented considerably by this influx of outside population and the cost of improving the amenities of life should rightly be met from such revenues and by the rate-payers benefited thereby.

On what principle is a sum of Rs. 20½ lakhs withheld.—It cannot be made out on which principle it is proposed to withhold as much as Rs. 20½ lakhs. This sum includes the old reserve of Rs. 5 lakhs built out of the old surpluses and the amount

of Rs. 15½ lakhs retained out of the surpluses of the three years from 1918-19 aggregating about Rs. 29 lakhs and represents more than 50 per cent. Apparently the amount of the withheld surplus has determined the number and estimated cost of the development projects proposed to be undertaken and it can hardly be contended that this is a correct principle to follow; if it is adopted, it would only lead to more schemes being taken up if there is more surplus to be spent on them. To appropriate 50 per cent of the net revenues of the tract for town (and municipal) improvements is on the face of it an extravagant proposal to which the Government of Mysore cannot agree.

No town in British India is so favoured.—There is no town in British India which would get as much as 20 lakhs in one instalment from Government revenues for carrying out measures of Municipal improvements, nor can such a large amount be usefully spent in a year or two. Any arrangement which proposes to reserve an amount which can only be spent in a number of years is open to obvious objections.

Assignment of the Tract was only for use as a Cantonment.—It may be argued that the assignment made by His Highness the late Chamarajendra Wadiyar Bahadur in his memorandum dated the 5th April 1881 shows that the tract has been left to the exclusive management of the British Government for the purpose of a *Cantonment*. The question whether the Station apart from its chief character, *viz.*, Military Cantonment, should expand as an influential centre of European activities, is a debatable one having regard to the tenor of the assignment itself.

The Tract has not so far been developed as now proposed and His Highness' pronounced view against such development.—His Highness' own personal feeling in the matter is that as the original intention of the assignment was for purposes no other than a cantonment, the tract should not be developed in the manner indicated in Mr. Barton's policy, and it has never been developed on those lines ever since its assignment, and any large expenditure that was considered necessary was incurred with a view to the requirements of the Station as a Military Station. The *pro forma* accounts upon which the surplus revenues have been paid to the Durbar for nearly 40 years clearly establish this policy. If Mr. Barton's arguments should be accepted, then further expenditure to improve the Station as a Military Cantonment may also be drawn from the surplus revenues as in fact appears to be his intention from paragraph 13 of his letter in which he includes "Military."

Decision to hand over surplus reaffirmed.—The controversy has now narrowed down after personal representations by His Highness the Maharaja last year and the Durbar's official representations, to one main issue, *viz.*, the Government of India have finally admitted the claim of the Durbar to the Surplus Revenues, meaning the difference between the revenue and expenditure of the Station according to the *pro forma* accounts prepared on the lines already settled. To that extent our representations have been heard and the decision of 1912 has been reaffirmed.

But new charges proposed to be created on the annual surpluses.—A case is now sought to be made out for debiting charges of a special character for the development of this tract to the annual surpluses which are, according to the decision of 1912, payable to the Durbar. The Government of India's proposal practically amounts to using up of the whole amount not only of any one year but the accumulated surpluses of several years previously earmarked or withheld for the execution of large schemes. There cannot be any limit to such schemes. The Durbar have explained their position by saying that they are not averse to any reasonable share of revenues being so debited for the administrative needs and development schemes, the cost of which is properly chargeable to the revenues of the Tract. This is based primarily on His Highness' desire personally communicated to His Excellency the Viceroy on the 19th May last year which has already been quoted above.

Present problem, viz., what development schemes can be financed from the surplus and the procedure for selecting and sanctioning the schemes.—Now, the main point is what are those schemes which may be rightly debited wholly or partly to the revenues of the Assigned Tract and the subsidiary issue is whether the determination of the question is to be left to the Resident and the Municipal Commission on whose recommendations the Government of India have passed orders in respect of

schemes stated to have been already settled or whether it should not be decided by the Government of India only after consultation with the Durbar.

The Municipal Commission is an interested party and should not be permitted to influence the decision in its favour and thus be enabled to evade its financial responsibilities.—The position of the Municipal Commission in these matters has to be contested, because, it being an interested party and as such is likely to minimise its own obligations when funds are available from other sources in regard to the financing of Municipal schemes that should properly be debited to Municipal funds and resources, any voice given to it is likely to be improperly exercised. As stated in our official letter, it has to be explained that if the present proposals are accepted, there will be no surplus.

The Resident is also an interested party.—In this matter, the Resident is also an interested party as in any recommendations he may make about it, he is not acting in his capacity as the Resident in Mysore, but as the Head of the Local Government in whose jurisdiction the Municipality is situated. If he were merely the Resident in Mysore, he could be expected to take a dispassionate view of the rights of the Mysore Government and of the consideration which the Municipality can reasonably expect to obtain in carrying out its measures of development. Such, however, is not the position now. The Resident identifies himself with the Municipal Commission and his views cannot but be contrary to the interests of the Mysore Government, and this is evident from his attitude in this matter. It will thus be seen that in the decision of the Municipal schemes to be undertaken and of the financial aid to be given from the surplus revenues to the Commission, the voice of the Resident is not the sole factor.

The position of the Government of India in relation to this question.—So far as measures which are directly or indirectly in the military interests of the Tract are concerned, any part of the cost of such measures, if met from the surplus, would mean so much relief to the Military Budget of the Government of India. The Government of Mysore have always contended that no share of such charges should be debited to the revenues of the Tract and the Government of India have more than once conceded the justice of this contention. The Mysore Government therefore, require to be acquainted with the full details of all schemes proposed, to see that they have no military bearing and that no charge not to be borne by the Tract is debited to its revenues.

Consequences of pursuing the policy of the Resident.—If the Resident's policy is allowed to be developed on the lines proposed by him and the surplus revenues of the Tract diverted for such purposes, it would necessitate a wide extension of the limits of the Station with large demands for additional electricity and water. There is already an appreciable influx of the rich from all parts of India into the City and the Assigned Tract and the Resident's policy of development would add further attractions to the two places and strengthen the existing tendency for a large and miscellaneous population to gather there. These are consequences which the Government of Mysore cannot help viewing with alarm. They are not, for obvious reasons, in favour of measures which would lead to the widening of the Tract; nor are they willing to add to their responsibilities beyond those provided in existing agreements in regard to the provision of lighting, water and other conveniences that would be required in the City and the Station by a substantial increase of their population. Apart from these considerations, the development of the Tract on the proposed lines with its direct and indirect influence on the City is part of the ordinary civil administration and it should, in view of the nature of the assignment of the Tract, be left to be settled by the Mysore Government.

Civil administration of Cantonments in British India entrusted to Local Governments in which they are situated.—One of the main objects of the Cantonment Act recently passed is to hand over the Civil administration especially in relation to Municipal matters in Cantonments to the Provincial Governments in whose jurisdiction the Cantonments are situated. The contention of the Mysore Government that theirs should be the prevailing voice in the decision of the development schemes to be carried out in the Bangalore Cantonment Municipality is thus supported by the principle recognised in this new Act.

The analogy of the City Municipality misleading.—The analogy of the City Municipality of Bangalore urged by the Resident may, in this connection, be

referred to and its logical fallacy pointed out. If the Municipal Commission is to be treated likewise, a different kind of relationship has to be established between the Mysore Government and the Commission. Let the surplus of the Tract be made over to the Mysore Government as it accrues according to the *pro forma* accounts and they will be prepared to treat the Municipality of the Tract in the same way as the Municipality of the City. This controversy has been a source of perpetual irritation to all parties concerned, and now is the time for His Excellency who, His Highness the Maharaja earnestly hopes, will be able with his impartial judicial mind to pass final orders for a workable solution which will once for all give the quietus to such disputes in future.

Before going to the Viceroy, I had a brief conversation with Sir Geoffrey and he said that the Viceroy was ready to discuss all these matters, although he might not be able to go into the details of each subject with me. The Viceroy, in the course of his conversation, appeared to have made a careful study of some of the main questions and showed considerable knowledge of the details. He was very sympathetic and appeared to have been greatly impressed with the notes that I had sent previously, as well as our official reply to the communication received from the Government of India on the subject of Surplus Revenues. He realised that the present decision was not one that would avoid future controversies. He also realised the force of the objections put forward in regard to specific schemes and he admitted the reasonableness of the argument that the income from productive works, if met from the Assigned Tracts Revenues, should be credited to the Assigned Tracts. He also saw the point that all the works now sanctioned will take at least three years and that there was no justification for withholding the surplus during this period. So, I pressed hard the appeal to give back at least Rs. 10 lakhs of the withheld surplus or defer the enforcing of any modified scheme, which His Excellency may finally consider after hearing all our representations. His Excellency, in the course of the conversation, suggested to me a compromise somewhat on the following lines, prefacing his remark with the observation that it was not likely that the Government of India would be able to give any grants to the tracts for improvement schemes in future and that even accepting the distinction between Municipal schemes and administrative needs, it was necessary that a certain part of the surplus, after meeting the *pro forma* account expenditure, should be available for reasonable requirements.

I quoted the following sentence from His Excellency's own letter to His Highness, dated the 17th May :—

“I feel sure that Your Highness would not desire to see my Government placed in such a position or to claim for the Durbar more than the surplus whatever it may be and that you will realise that an annual settlement based on actual income and expenditure and on a prudent estimate of future requirements is a strict fulfilment of what we have undertaken.”

I also quoted His Highness' reply to that letter as follows :—(Simla, 19th May 1922.)

“I do not claim for the Durbar more than the surplus, whatever it may be, accruing to the *pro forma* accounts, and I shall be perfectly satisfied with an annual settlement based on actual income and expenditure. As regards the future requirements, however, I trust there will be no objection to the Durbar being given an opportunity to state their views for the information and consideration of the Government of India. I think Your Excellency will agree that their views may conceivably help the Government of India in arriving at a correct and impartial decision in respect of new schemes which the Resident may submit for their sanction. I refer only to the schemes the cost of which is proposed to be met from and is rightly debitable, wholly or partly, to the revenues of the Assigned Tract.”

His Excellency the Viceroy, in the rough scheme of compromise that he suggested at the time of the interview, indicated that, should a certain proportion of the surplus be made available and should within a period of a certain number of years the amount be not utilised, that amount may go back to the surplus fund and returned to the Durbar or a less amount may be deducted from the future

surpluses. As least that is how I understood His Excellency's scheme. At all events, what I gathered from His Excellency was that he saw the justice of our objections and realised that further proposals should be considered after going into and examining the position again with reference to our representations. As subsequent events showed, His Excellency had a talk with the British Resident the next evening, as a result of which, the Resident had to submit for our consideration a system of compromise which has already been referred to in the previous sections of these notes and which will again be dealt with in detail at a later stage.

In the course of the conversation on this subject, I understood that His Excellency had rather a very vague idea about the exact situation of the Civil and Military Station in the Mysore State. I pointed out that this was contiguous to the City, for, His Excellency did not seem to know quite what Bangalore meant, and explained to him that the Municipal Commission exercised jurisdiction over the whole Station, that there is no Cantonment separate and that a visitor to Bangalore cannot make out any distinction between the Civil and Military Station and the City, which is the administrative capital of the State.

Conference in the Foreign Office in the Political Secretary's rooms on the subject of the Assigned Tracts Revenues (Major Ogilvie and the British Resident being present) on the 1st August 1923.

There was a discussion between myself and the British Resident, the Political Secretary being silent for the most part, on the subject of the surplus revenues of the Assigned Tracts Revenues. The Resident showed considerable wrath over the reply that the Mysore Government had sent to the latest communication of the Government of India, and stated that that letter practically intended to upset the whole arrangement and that he was not prepared to suggest any modifications to the orders which were passed with the sanction of the Secretary of State. I urged with great force that the orders were not at all likely to work smoothly in practice and that the Resident himself being an interested party, the views put forward by him from time to time in regard to the execution of works of improvement in future years were always contested by the Durbar and this would lead to friction. As an illustration, I picked up the items which were included in the Government of India communication and I pointed out that the Durbar could legitimately urge objection against each of them. Administrative needs and development schemes cannot cover markets, roads, schools, etc., and it is not possible for the Mysore Government to agree to the present arrangement and that they have therefore represented that the 1912 settlement must, both in letter and spirit, be restored. The Resident urged that that settlement was conditional on something that the Government of India had said previously and that if Mysore took the extreme view of contesting the position that the large revenues of the Assigned Tracts should also meet the large expenditure on account of developments, he would not even go to suggest a compromise. After a lot of heated discussion which was caused by the Resident's eagerness to get as much revenue from the Assigned Tracts as possible for improving the Station in all respects, the Resident, at my request, was obliged to suggest a compromise himself, as to sharing the surplus revenues, although he was not prepared to commit himself to any views as to a definite proportion. I urged that whatever compromise may be suggested now, I would not commit myself to any views on behalf of the Mysore Government, but that I would propose the following principles for consideration in any scheme of compromise:—

Firstly, that all incomes from productive works to be carried out of the surplus should be credited to the Assigned Tracts Revenues, and

Secondly, that as all the works now sanctioned, costing a sum of Rs. 20½ lakhs cannot be completed within a period of at least three years, the compromise if any, that may be agreed to should come into force only at the end of three years, or, in the alternative, if the compromise is to come into force from the current year, Government should give back not less than Rs. 10 lakhs of the withheld surplus, to Mysore.

The Resident seemed to see the justice of these contentions but in dictating the notes, he was not willing to commit himself definitely to any proposal from his side. The notes dictated at the conference were forwarded to me by the Political Secretary the next day and they are extracted below:—

“A Conference regarding the question of the disposal of the Assigned Tracts Revenues took place on the 1st of August between the Resident in Mysore, the Dewan of Mysore and the Political Secretary. The basis of discussion, suggested by the Resident, was a compromise by which the surplus over and above a datum line, to be fixed with reference to the normal standard of expenditure, should be divided in some proportion to be subsequently settled, between the Durbar and the Assigned Tracts. The question was also discussed as to the desirability of deferring the introduction of the compromise mentioned above for a period of say three years, during which the 20½ lakhs already accumulated and sanctioned for improvements could be spent; or, in the alternative, whether the scheme should be introduced forthwith and a certain proportion of the accumulated surplus of 20½ lakhs should be returned to the Durbar. The Resident thought that it was not possible to go further than return the sum of 3 lakhs representing the future reserve.

“The Dewan raised the question whether the revenue derived from productive schemes of development carried out with grants from the surplus should not be credited to the Assigned Tracts Revenues. The Resident was of opinion that in fixing the proportion in which the Surplus Revenues would be shared, something on the lines of a provincial settlement in British India might be adopted as a rough guide. The Dewan agreed to a settlement of the question, on the lines indicated, being examined by the Durbar.

“A further alternative suggestion made by the Resident was that the Durbar should be given a lakh and a half annually out of the surplus and that the balance of the surplus should be shared in a proportion to be fixed hereafter.

“It was also suggested that a settlement if arrived at might be for ten years in the first instance.”

I at once replied to Major Ogilvie in the following terms:—

“In acknowledging with thanks the enclosure to your D. O. letter of to-day giving a gist of our discussions of yesterday regarding the Assigned Tract revenues, I only wish to point out that I understood the Resident had accepted the principle of crediting to the Assigned Tract revenue the income of profits that may be derived from reproductive works under development schemes which may in future be financed from the Assigned Tract surplus. The notes only indicate that the Dewan raised the question. Don't you think that the Resident's opinion has also to be recorded in the notes? For I have also, in the course of my conversation with him separately, ascertained his general assent to the principle and I personally urged this aspect of the case very strongly in my representation to His Excellency the Viceroy.”

The next day I had a discussion with the Financial Secretary on all the aspects of the case and I prepared notes with a view to make further representations to the Viceroy through his Private Secretary. These will be referred to later.

On the 3rd August, I wrote to the Private Secretary to His Excellency the Viceroy intimating that I was leaving the next day, and suggested to him that I should, before leaving Simla, have a talk with him for giving a general idea of the result of my discussions with the Government of India representatives and also

some idea of the ~~note~~ that was drawn up in the Political Secretary's room on the subject of the Surplus Revenues. The letter is extracted below:—

“I am sorry it has not been possible for me till now to come and see you to have a talk as I have been so busy with the different interviews and conferences with the various departments of the Government of India on all the several pending questions of importance in respect of which His Highness' Government are anxious to see that an early decision is reached. I am leaving this by 4 o'clock on Saturday next, and I shall be greatly obliged if you will kindly give me the opportunity of a few minutes' conversation with you before I leave Simla, in the course of which I may be able to communicate to His Excellency, through you, the purport of the net result of the several discussions I had with the Members of His Excellency's Council as well as the British Resident. I should like to secure your good offices with a view to enlist His Excellency's personal sympathy in the matter of a favourable decision being reached at an early date in regard to some of these questions, specially, the Assigned Tract Revenue and perhaps it may interest you to know what has transpired since I made my personal representation to His Excellency.

“Any time on Saturday will suit me and I do not propose to take more than a few minutes of your valuable time.”

Sir Geoffrey de Montmorency fixed 12 noon on Saturday for the interview and I called at the Viceregal Lodge on that day to put before the Private Secretary my views on the note that was drawn up in the Political Secretary's room on the question of the settlement of the Surplus Revenues. I handed over in person to Sir Geoffrey de Montmorency a letter criticising the whole point of view as disclosed in the note and urging for the consideration of the Viceroy, certain other aspects which arose after that note was drawn up, so that the Viceroy might have a full knowledge of our objections and contentions before passing final orders. It was fortunate that I had this opportunity of leaving with the Viceroy the last word on the subject, so that he might know that the Resident's views are altogether unsound and even his compromise cannot be accepted in the form in which it is worded. The letter I left with the Private Secretary as well as the note attached to it are extracted below:—

“In continuation of the previous notes which I gave to the Private Secretary on the Surplus Revenues of the Assigned Tract and which were based on the recent orders of the Government of India, I attach a note drawn up in the Political Secretary's room as a result of certain discussions that took place on the 1st of August between the Resident, the Political Secretary and myself. I agree to examine the compromise proposals suggested and I shall be able to give definite views on the subject as soon as I go back to Bangalore. In the meantime, I have made certain calculations from which it will appear that Mr. Barton's suggestions are still of a very vague character, because the definite proportion has not been stated. The Durbar has only been urging that the settlement of 1912 should, both in the letter and in the spirit, be respected and I am afraid Mr. Barton's attitude in regard to this aspect of the case is wholly irreconcilable with that of the Durbar. His view that anything said in 1912 is subject to the earlier condition that the administrative needs of the Tract constitute a first charge on its revenues and the Government of India are the sole arbiter as to the nature and extent of those needs does not appear to be historically correct. The 1912 settlement attempted to set at rest all the previous doubts and controversies and laid down a definite system of *pro forma* accounts, specifying in detail all the expenditure under the various administrative needs that could then be thought of as being debitable as the first charge to the gross revenues of the Assigned Tract.

“Mr. Barton, during his discussions with me, took the extreme view that the Durbar must now come to a compromise or else he would urge on the Government of India to insist on the orders now passed being carried

out. All that His Highness' Government now would like to plead is that their representations made in the official letter as well as those made personally by the Dewan to His Excellency the Viceroy may be heard and a fair and just decision given. The Resident in this matter is acting not as an impartial go-between, but is keenly interested, being the representative of the Local Government in the Assigned Tract area, and the Durbar fear that it may be difficult for them as well as for the Resident to approach with any chance of a fair settlement and I should like therefore to leave the whole matter in the hands of His Excellency the Viceroy and I am sure His Highness the Maharaja would willingly and thankfully accept any just decision that His Excellency the Viceroy may deem it fit to give in regard to this long pending controversy.

"I again would like to urge that as it is not possible for the Civil and Military Station to spend Rs. 20½ lakhs in less than a period of three years from now, at least half the sum, viz., Rs. 10½ lakhs, may be returned to the Durbar and even if the Government of India, in spite of the objections urged as to the merits of the Municipal schemes that are included in the list of sanctioned works, over-rule them and all these works are eventually carried out, I would respectfully suggest that the balance of the expenditure may be met from the future surpluses that may accrue under the new scheme.

"The main apprehension is that if there is a definite sum allotted for the area without any limit as to the nature and extent of the schemes as well as the aggregate limit of the expenditure that may be provided for, there will always be a temptation on the part of the Municipal Commission to suggest every kind of improvement against the ordinary and accepted principles of Municipal developments generally applicable to any large Municipal city in the whole of British India or elsewhere. If therefore His Excellency is kind enough to consider this aspect of the case and agrees to fix the maximum limit within the next ten years at say 20 or 30 lakhs of expenditure, which is really more than any grant that the Government of India have ever given as an outright grant to any City Municipality, and also is pleased to lay down that any balance that may be left out of this at the end of the period would be credited to the Durbar's account of the surplus before the next contract is entered into, it may be possible to arrive at a compromise on the basis of the principle for the sharing of the surplus between the Durbar and the Assigned Tracts, providing only for those works which should legitimately be carried out with the aid of grants from Government and excluding all works which should legitimately fall on the resources of Municipal Administration.

"A separate note is attached to this representation showing a few figures based on the calculations that I have made with reference to the various alternatives."

NOTE ON THE SEVERAL COMPROMISE PROPOSALS.

The surpluses for the last ten years were as follows :—

					Lakhs.
1912—13	..	..	..	..	3'10
1913—14	..	..	..	..	2'29
1914—15	..	..	..	..	2'36
1915—16	..	..	..	..	2'60
1916—17	..	..	..	..	3'62
1917—18	..	..	..	..	7'45
1918—19	..	..	..	..	9'83
1919—20	..	..	..	..	9'57
1920—21	..	..	..	..	9'54
1921—22	..	..	..	..	10'48
The total for years from 1918-19					39'42 lakhs.
Average for the last four years					9'85 or say roughly 10 lakhs.

The surpluses up to 1917-18 were low and it is reasonable therefore to base any settlement for the future on the surpluses from 1918-19.

ALTERNATIVE I.

"The surplus over and above a datum line, to be fixed with reference to the normal standard of expenditure, to be divided in some proportion between the Durbar and the Tract."

The following points require to be considered:—

(i) The surplus over a *datum line* is to be divided. This would mean that the Tract would get a share of the surplus before the division and the balance only is to be shared.

(ii) How the *datum line* is to be fixed with reference to *normal* standard of expenditure.

(iii) Proportion in which balance should be divided has to be suggested. The Resident informally suggested 4 to 3. This of course is out of the question for the Durbar to accept.

Deferring for three years the introduction of this compromise.—Under this arrangement we would get the whole surplus for the next three years but the Tract would spend 20½ lakhs and we would get nothing out of this amount. If quarter of the surplus is given to the Tract it would get 7½ lakhs in the next three years. It is better to limit expenditure to a share of future surpluses especially, in view of the need for an aggregate limit for cost of improvement schemes in a specified period to be met from the surplus.

If this alternative is immediately introduced, a much larger amount than three lakhs out of 20½ lakhs is payable to us, even on the assumption that a total outlay of this magnitude is to be permitted in the next three years, as in that period, the share of surplus payable to the Tract even on the lowest calculation would be about seven lakhs and this sum will become available for the schemes already sanctioned during the period they are under execution.

ALTERNATIVE II.

"Division of Surplus revenues on the lines of a Provincial Settlement."—Whether the settlements in force in several provinces and if so which, prior to the Reform Schemes finance or since that scheme came into force, are meant is not clear. In any case this proposal requires to be examined with reference to the details of the Settlement which is proposed to be adopted as the guide.

ALTERNATIVE III.

	MYSORE		TRACT	
	Fixed	Fluctuating	Total	Fluctuating
(a) Fixed payment of 1½ lakhs and division of balance between Mysore and Tract in ratio of 2 : 1.	1.50	5.66	7.16	2.84
(b) Fixed payment of 1½ lakhs and division of balance in ratio of 3 : 1.	1.50	6.36	7.86	2.14
(c) Division of whole surplus in ratio of 2 : 1.	...	6.66	...	3.34
(d) Division of whole surplus in ratio of 3 : 1.	...	7.50	...	2.50

It will be seen that the lowest share of the Tract according to Alternative III is (b) and even this gives over 2 lakhs which, as an annual subvention for Municipal improvements, is a very decent contribution. Even the Bangalore or Mysore City does not get this large grant from the Mysore Government.

CONFIDENTIAL.

DEWAN'S OFFICE.

THE CIVIL AND MILITARY STATION, BANGALORE,
AND ITS SURPLUS REVENUE.

Volume III.

Copy of letter No. Pol. 180, dated 29th August 1923 from the Financial Secretary to the Mysore Government to the Secretary to the Resident in Mysore.

I am directed to request that the Government of Mysore may kindly be furnished with the detailed *pro forma* accounts relating to the period from 1918-19 to 1921-22. The accounts asked for are similar to those supplied with Mr. E. H. S. James' letter No. 5807, dated 2nd August 1917 for the period from 1911-12 to 1915-16 and with the same officer's letter No. 1394, dated 19th February 1919 for the two years 1916-17 and 1917-18.

The following items of expenditure appear in the accounts and estimates:—

	Accounts 1921-22	Revised estimate 1922-23	Budget 1923-24
	Rs.	Rs.	Rs.
33 Public Health 	1,00,021	3,50,000	3,00,700

These are obviously special items of expenditure as shown by their magnitude. The Budget Estimates sent with your letter No. 5283/613-1899, dated 7th July 1923 do not give any idea of the expenditure for which these grants are intended. The only information which can be had from the Budget estimates is that these grants are for Works—Petty Construction and Repairs. I am to request that the particulars of expenditure proposed to be met from these grants may kindly be furnished for the information of His Highness' Government.

Confidential D O. letter dated 1st September 1923, from the Private Secretary to His Highness the Maharaja of Mysore, to the Dewan of Mysore.

Please see the enclosed cutting. I think it would be worthwhile sending it to the Political Secretary informally, as an instance showing how the surplus money is likely to be spent in the future, if the Resident has his own way. The Municipality does not really want the money for the roads, which are considered to be in good enough condition, but the Resident is thrusting it on them. Further comment is needless.

D. O. No. M. 116—Encl. 1.

BALLABROOIE, BANGALORE,
Dated 1st September 1923.

MY DEAR MAJOR OGILVIE,

You may find the enclosed cutting interesting, with reference to the question of the utilization of the Civil and Military Station surplus revenues. This is one of the instances in which there is more than clear evidence to show that the proposal to spend such a large sum of money from the surplus for the roads in the Station is not without its objections, and proves our contention that when money is available, any kind of scheme, whether really necessary or not, is good enough for diverting the surplus revenues from the Mysore State.

Yours sincerely,
A. R. BANERJI.

Copy of letter No. 7426/613-1899, dated the 18th September 1923, from the Secretary to the Resident in Mysore, Bangalore, to the Financial Secretary to the Government of His Highness the Maharaja of Mysore.

SUBJECT—*Pro forma* ACCOUNTS OF THE MYSORE ASSIGNED TRACT.

With reference to your letter No. 180-Pol. dated the 28th August 1923, I am directed to forward a copy of the *pro forma* accounts of the Mysore Assigned Tract for the years 1918-19, 1919-20, 1920-21 and 1921-22.

2. As regards paragraph 2 of your letter, I am to say that the sums of Rs. 1 lakh and Rs. 3½ lakhs shown under the head “33 Public Health—Works—Petty Construction and Repairs” against accounts for 1921-22 and revised estimate for 1922-23 relate to the amount spent in 1921-22 and 1922-23 on the scheme for the housing of the poorer classes in Knoxpet, Bangalore. The budget estimate of Rs. 8,00,700 shown under the above head for 1923-24 is intended to meet the whole or portion of the cost of the remaining schemes details for which are given below :—

	Rs.
1. Installation of a pumping station for the delivery of sewage to the new Military Grass Farm	1,15,000
2. Construction of a Market in the Civil and Military Station, Bangalore	2,00,000
3. Introduction of underground sewerage system in the Civil and Military Station, Bangalore	74,000
4. Improvement to Main sewer	43,775
5. Opening out slum areas in Ookadpaliyam and building of new houses	3,00,000
6. Improvements to roads	47,900
7. Underground sewerage scheme for the Convent of the Good Shepherd at Bangalore	20,000
	<u>8,00,675 or</u>

Rs. 8,00,700 in round figures.

Copy of letter No. Pol. 275, dated 25th September 1923 from the Financial Secretary to the Government of His Highness the Maharaja of Mysore, to the Secretary to the Resident in Mysore.

I am directed to acknowledge the receipt of your letter No. 7426/613-1899, dated the 18th September 1923 furnishing a copy of the *pro forma* accounts of the Civil and Military Station for the four years commencing from 1918-19 and also the information requested in my letter No. 180—Pol., dated the 29th August 1923.

In para 2 of the letter under reply, it is stated that the sums of Rs. 1 lakh and Rs. 3½ lakhs shown under the head “33 Public Health—Works—Petty Construction and Repairs” against the accounts for 1921-22 and the revised estimates for 1922-23 relate to the amounts spent in 1921-22 and 1922-23 on the scheme for the housing of the poorer classes in Knoxpet. It would appear from an article under the heading of “Knoxpet” in the issue of the Madras Mail, dated 19th September 1923 that these sums represent grants-in-aid made to the Station Municipality and that the expenditure actually incurred so far by that body amounts to about Rs. 1½ lakhs. In the same para of your letter it is stated that the grant of Rs. 8,00,700 made in the budget estimates for 1923-24 is intended to meet the whole or portion of the cost of the seven schemes detailed therein.

The whole question relating to the calculation of the annual surpluses to be handed over to the Government of Mysore and the utilisation of the sum of Rs. 20½ lakhs withheld out of the surpluses of the three years commencing from 1918-19 is the subject of representation by the Mysore Government to the Government of India. I am to invite reference in this connection to letter No. 56—Pol., dated

23rd July 1923. While the objections to the proposed diversion of the said sum of Rs. 20½ lakhs and the representation of the Government of Mysore on the whole subject are pending the consideration of the Government of India, His Highness' Government would urge that any expenditure from the withheld surpluses, either by way of actual disbursements by the administrative authority or by making grants-in-aid to the Station Municipality, may very well be deferred as otherwise the settlement of the question would prejudicially affect the interests of the Government of Mysore. I am therefore to request that pending reply of the Government of India to the representation made in my letter dated 23rd July 1923 no expenditure be permitted out of the withheld surplus of Rs. 20½ lakhs either in the form of final charges or of grants-in-aid to the Station Municipality in respect of the several schemes enumerated in your letter against which objections have been put forward. I am also to request that this representation may kindly be submitted for the consideration of the Government of India.

Copy of D. O. No. 7920, dated 4th October 1923 from the British Resident in Mysore to the Dewan of Mysore.

I am afraid we have taken a long time collecting figures bearing on the suggested scheme for fixing a principle on which annual payments to Mysore Government of the surplus revenues of the Assigned Tract could be made. I have some figures ready now and should be glad to have a preliminary and informal discussion with you. Would Monday or Tuesday next, at any time suitable to you, be convenient? I am going to Mysore on the 10th to have an informal talk on the matter with His Highness and should like to discuss it with you before going to Mysore.

Copy of letter No. 7924/613-1899, dated 5th October 1923 from the Secretary to the Resident in Mysore, to the Chief Secretary to the Government of His Highness the Maharaja of Mysore, Bangalore.

I am directed to acknowledge the receipt of your letter Pol. No. 56, dated the 23rd July 1923 and Mr. Krishna Rao's letter Pol. No. 275, dated the 25th September 1923.

The Hon'ble the Resident regrets that it is impossible to hold up expenditure sanctioned during the current year on schemes now in progress.

As regards the general question the Dewan is aware that no further action is being taken by the Government of India pending the result of the proposed discussion between the Mysore Government and the Residency with a view to discovering a basis for a reasonable compromise. Mr. Barton hopes shortly to have an opportunity of having a preliminary discussion with Mr. Banerji.

Confidential D. O. No. P. 153, dated 9th October 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

From a letter (copy enclosed) received from the Resident, I understand that he is going to see His Highness on the 10th to discuss the question of the Civil and Military Station revenues. As requested by him, I went to see him yesterday morning and expected that he would be able to give me some definite formula of the compromise for the settlement of the question once for all. We had more

than two hours' discussion in the course of which, for the most part, he reiterated his old arguments that the Durbar had no claim to the surplus and that the Government of India had every right to appropriate the whole of the surplus, if necessary, to be spent on the Assigned Tract for its special needs. After a lot of discussion, I pointed out that it was no use at the present moment to go beyond what was settled in 1912, as the Resident persisted in quoting the correspondence regarding the intentions of the Government of India since 1881 and gave me a long history of the Bangalore Station itself after it came under the British administration for over 100 years. I pointed out further, that the fact that the Government of India, whatever may be the rights of the case, have actually renounced the surplus in favour of His Highness the Maharaja and had also paid several years' arrears, has to be considered in coming to a settlement, and that His Highness feels that any settlement that would go against, or will in any way be inconsistent with that policy which was definitely pronounced during Lord Hardinge's time, will not be acceptable to him. I also urged for his consideration the argument that there is no meaning in the word 'surplus' unless it is interpreted in the following way, *viz.*, the gross revenues of the Station are to be administered by the Station authorities, all that is required for the administration of the Station proper has to be met from the revenues of the Station and whatever is left over as surplus must be handed over to His Highness. So, any proposal to take a share of this surplus as calculated, cuts at the very root of the previous settlement and cannot be accepted. But if the Resident urges that the *pro forma* accounts as settled in 1912 did not provide for all the legitimate needs of the Station, then it is a different matter. But I pointed out to him by giving him the figures of the last 10 years of the *pro forma* accounts under the heading—Education, Medical and Sanitation, Public Works grants to the Municipality—that the Station administration has all these years drawn from the gross revenues of the Station whatever they needed under these heads, and that now a new scheme is proposed to supplement the grants according to the *pro forma* accounts with larger sums of a capital nature to finance big works during the period of a series of years. I said that that was objectionable. Every year the administration should ascertain its needs which should be met from the year's revenues. It is not just that the administration, much less the Station Municipality, should have any opportunity of drawing from the balance of the year's budget with a view to meet future schemes. Future years should provide for the schemes relating to those years. After a lot of further discussion, I asked the Resident to prepare his formula before he went to see His Highness and told him that I would look into it to see how it would work. I made it clear to him that there was no use of discussing unless matters come to a head one way or the other and that if any settlement is reached, it must go before the Secretary of State for final orders. I told him that I was as anxious as he is to remove all further controversies and disputes in the matter and it would be a great piece of work if our successors could look back to the settlement made by us which would be satisfactory in its working as well as in its intrinsic merits. The Resident apparently was not ready with any formula but still persisted in the proposal of dividing the surplus in certain proportions. There was a lot of discussion on the subject of a *datum line* in regard to which he had no clear idea and ultimately, I nailed him to the following principle, *viz.*—By *datum line* is meant, a figure representing the average expenditure of the Station for a period of five years which will cover only the normal recurring expenditure of the Station, all special grants of a non-recurring character being excluded in arriving at this figure. This *datum line* figure therefore will be a figure which will be very much less than the actual expenditure shown in the *pro forma* accounts. Then the Resident gave me this proposal, *viz.*, from the actual gross revenue, this *datum line* figure will be subtracted and the balance will be shared by the State and the Station in the proportion of five-eighths and three-eighths. I said that there was something definite about this proposal and that I shall at once work out to see how it affects the surplus payable to the Durbar and how it compares with the actual surplus that has been paid to the Durbar in the past years and let him know by this evening whether it is totally unacceptable or whether it can form the basis of discussion.

I am sending for reference the note of the Financial Secretary on the subject which he has hurriedly drawn up. The matter requires a more careful and detailed

examination. I do not, however, think that 5/8ths and 3/8ths can be acceptable at all. But I think 6/8ths and 2/8ths that is, $\frac{3}{4}$ and $\frac{1}{4}$ may be offered as a basis for discussion which will be —“calculation (b)” in the Financial Secretary’s note. I personally think that it was a great gain to have got the Resident to agree to fix a *datum line*, as representing only the normal recurring expenditure, which would be very much less than what was shown in the *pro forma* accounts of the past years and it is fair to give a certain portion of whatever is left over for non-recurring grants of each year. I think if a maximum of two lakhs beyond this *datum line* is fixed, it may be considered as a reasonable arrangement.

I do not think that His Highness need go into all these details and if he only shows generally his anxiety to adhere to the settlement of 1912 which, from every point of view, is equitable, elastic as well as just both to the Durbar and to the Station, that will be sufficient. His Highness may generally concede that he would not like to see the Station starved out and that, in his opinion, the Station is entitled to spend money out of its revenues for its requirements of a non-recurring character; but that there must be a limit to it and whatever money is left over should not be allowed to be drawn from again. Every year, from the gross revenue it will draw its non-recurring grants and His Highness may state that it is believed that this is even now being done under the *pro forma* accounts and even after this is done, substantial surplus has accrued which is being handed over under the 1912 understanding and there is no reason why a special effort should be made to spend the surplus in the Station on schemes most of which appear to be objectionable and which are ordinarily financed by the Municipality out of their own resources or from the public loans.

I bitterly complained that the Resident, in spite of these proposals that are now under discussion and the compromise proposals that he himself had offered at Simla, had already allotted a large sum of money to the Municipality to the extent of Rs. 17 lakhs out of over 20 lakhs of the withheld surplus. I said that any amount that is spent will prejudice the Durbar’s case and I therefore wrote to him in the matter. The Resident at first seemed impatient at the Durbar’s desire to hold up the schemes and referred to the Grass Farm as an instance in point. I said that as the matter is open to discussion and there is also a proposal to repay to the Durbar a part, if not the whole, of the surplus revenues withheld, it is not fair that, pending the settlement of the question, any money should be given to the Municipality or spent by it. He said that if it is given away, it can be got back. I said that it would not be a solution of the difficulty. In this connection, it does not appear that the Resident has sent our representation, which we forwarded the other day with His Highness’ approval, to the Government of India. The reply of the Resident dated 5th October is, however, very unsatisfactory. I am sending a Submission Note with a draft letter to the Political Secretary on the subject this day, because I think this is a matter in which we must appeal to the Government of India, as the Resident is so unreasonable.

ENCLOSURE.

Financial Secretary’s Note on the 2 alternatives suggested.

I put up statements to show how the two alternatives will work. It is not clear what grants should be excluded in the calculation of the datum line. The only optional grants are those made to the Municipality and accurate information is available in regard to them. Under Education, the only direct expenditure incurred by the Station is on “Inspection” and “Training Schools” and the total charge under these heads, on the standard of expenditure in 1921-22, may be taken at about Rs. 40,000. The rest of the expenditure falling under the head of “Education” represents entirely grants-in-aid to Secondary and Primary schools; these include grants for buildings and furniture, which should depend upon available resources; I have accordingly made two calculations of the datum line: (1) excluding grants to the Municipality and to Educational Institutions and (2) excluding only grants to the Municipality.

It will be seen from the statements, that the first alternative, calculation (a)—gives to the Station just enough to meet the present standard of expenditure and leaves no margin for developments and improvements. Calculation (b) of the first alternative, however, gives an annual surplus varying from Rs. 1½ to Rs. 2 lakhs. According to the second alternative, the Station gets, in addition to its present standard of expenditure, an annual surplus varying from Rs. 1½ to Rs. 3 lakhs. These surpluses, according to the first alternative—calculation (b) and the second alternative, if allowed to be taken by the Station, will be at our expense as the amount payable to us under the settlement of 1912 would be reduced correspondingly. Some such margin has however to be allowed for improvement works and also for preventing constant unpleasant correspondence regarding the disposal of the annual surpluses. But some limit is also necessary to prevent unnecessarily large amounts being diverted for all sorts of works and I think a maximum limit of Rs. 2 lakhs per annum is not unreasonable.

M. N. K.

8-10-23.

FIRST ALTERNATIVE.

Excess of annual gross revenue over the *datum line* of expenditure to be shared between the Station and the State in the proportion of 1 : 3, that is, one-fourth to the Station and three-fourths to the State. The following statement shows the figures according to the above arrangement:—

(a) CALCULATION.

(Figures in thousands of Rupees.)

Years	Gross revenue	Expenditure according to <i>pro forma</i> accounts	Deduct grants* included in expenditure	Datum line of expenditure	Excess of gross revenue over datum line	One-fourth of the excess	Three-fourths of the excess
1917-18 ..	15,47	8,01	2,01	6,00	9,47	2,36	7,11
1918-19 ..	18,29	8,46	2,52	5,94	12,35	3,08	9,27
1919-20 ..	20,16	10,60	2,82	7,78	12,38	3,09	9,29
1920-21 ..	20,49	10,94	2,88	8,06	12,43	3,11	9,32
1921-22 ..	21,75	12,19	3,93	8,26	13,49	3,37	10,12

(* Grants to Secondary and Primary Education and to the Station Municipality.)

The share of the Civil and Military Station, according to the above calculation, is compared below with the expenditure according to the *pro forma* account in the respective years:—

(Figures in thousands of Rupees.)

Years	Expenditure according to <i>pro forma</i> account	Datum line expenditure plus one-fourth of the excess	Surplus	Deficiency
1917-18 ..	8,01	8,36	35	
1918-19 ..	8,46	9,02	56	
1919-20 ..	10,60	10,87	27	
1920-21 ..	10,94	11,17	23	
1921-22 ..	12,19	11,63	..	56

The above statement shows that, according to the first alternative, calculation (a), the Station will get just about what it is now spending according to the *pro forma* account.

(b) CALCULATION.

(Figures in thousands of Rupees.)

Years	Gross -revenue	Expendi- ture according to <i>pro forma</i> account	Deduct grants included in expenditure	Datum line of expenditure	Excess of gross revenue over datum line	One-fourth of the excess	Three- fourths of the excess
1917-18 ..	15,47	8,01	9	7,92	7,55	1,89	5,66
1918-19 ..	18,29	8,46	50	7,96	10,33	2,58	7,75
1919-20 ..	20,16	10,60	91	9,69	10,47	2,62	7,85
1920-21 ..	20,49	10,94	50	10,44	10,05	2,51	7,54
1921-22 ..	21,75	12,19	1,50	10,69	11,06	2,76	8,30

SHARE OF THE STATION.

(Figures in thousands of Rupees.)

Years	Expenditure according to <i>pro forma</i> account	Datum line expenditure <i>plus one-fourth</i> of the excess	Surplus	Deficiency
1917-18 ..	8,01	9,81	1,80	
1918-19 ..	8,46	10,54	2,08	
1919-20 ..	10,60	12,31	1,71	
1920-21 ..	10,94	12,95	2,01	
1921-22 ..	12,19	13,45	1,26	

Copy of D. O. No. 43, dated 10th October 1923, from the Financial Secretary to the Mysore Government, to the Secretary to the Hon'ble the Resident in Mysore.

I shall be much obliged if you will kindly give me particulars of the special non-recurring grants made from the revenues of the Civil and Military Station in the five years from 1917-18 either to the Station Municipality or to any other institution. The information may kindly be made complete by including grants of the kind made for all purposes. This information is required in connection with the question of the surplus of the Station now under consideration. I shall feel grateful if I can get it in a day or two.

Copy of D. O. No. 8129, dated 12th October 1923 from the Secretary to the Resident in Mysore, to the Financial Secretary to the Mysore Government.

Your demi-official No, 43, dated the 10th October 1923.

No special non-recurring grants were paid to the Station Municipality or other institutions from the year 1917-18 to 1920-21. During the financial year 1921-22 a grant of Rs. 1 lakh was made to the Station Municipality in connection with the scheme for the housing of the poorer classes in Bangalore.

Copy of D. O. No. P. 160—Enc. 2, dated 13th October 1923 from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja.

With reference to the calculations based on the datum line and the division of the surplus revenues between the Station and the State, I herewith enclose two letters from the Financial Secretary for favour of submission to His Highness and kind return. It is obvious that anything above one-fourth should be ruled out of consideration altogether and even in regard to that, we have to be very careful about fixing the datum line.

Confidential D. O. No. C. 2888/211, dated 16th October 1923 from the Hon'ble the Resident in Mysore, to the Private Secretary to His Highness the Maharaja.

I am forwarding a copy of a Note on the points discussed in the informal conversation with His Highness the Maharaja on the subject of the Assigned Tract revenues of Bangalore, on the afternoon of the 10th instant.

I venture to hope that I have succeeded in making the position of the Government of India clear, and that we shall be able to conclude a working agreement equitable to both parties concerned.

His Highness was kind enough to say that the discussion could be renewed at the Dasara. I will bring down printed statements of figures bearing on the question which should help in working out a datum line, and in fixing the proportion in which the revenue over and above this should be shared.

P. S.—Could you fix up a day for discussion with Mr. Banerji,—Friday or Sunday? I enclose a spare copy of my note which perhaps you would pass on to him.

ENCLOSURE.

NOTE ON THE POINTS RAISED IN THE INFORMAL CONVERSATION BETWEEN HIS HIGHNESS THE MAHARAJA OF MYSORE AND THE HON'BLE THE RESIDENT IN MYSORE ON THE 10TH OCTOBER 1923, REGARDING THE SURPLUS REVENUES OF THE ASSIGNED TRACT.

The first point which I endeavoured to make clear to His Highness was that there had been no change in the attitude of the Government of India towards the question of paying a share of the revenues of the tract to the Mysore Government, since the settlement of 1912 was concluded. A very brief historical retrospect will help to bring out the true aspect of the question. In 1881 the Assigned Tract of Bangalore was ceded in full jurisdiction and there was no reservation as to the revenues being shared with the Mysore Government. The question as to the application of any surplus that might accrue was referred to the Government of India and they observed that there were reasons of principle against sharing the revenues of a Tract administered by the Government of India with an Indian State. What the Government of India had in view at the time was that, under a scheme of the kind, disputes as to the proper allocation of the revenues were practically certain, and they wished to avoid such difficulties. The Government of India, however, expressed their willingness, should a substantial surplus occur over a number of years, to take this into consideration in calculating the Subsidy payment. The amount of the Subsidy had then been increased to 35 lakhs from 21½ lakhs, and it appears to me that what the Government of India proposed was that the average annual surplus, if any, should be worked out and the Subsidy reduced by

that amount for a period of years. Later on, as His Highness is aware, the question of the surplus was raised at various intervals, particularly in 1895 when the Mysore Government were informed that the accounts exhibited no surplus, and that so long as the Government of India decided that the revenues were required for the purpose of the Tract, no question of a surplus could arise. No clear or definite system of accounts had at that time been introduced. The question was taken up again in 1910, with the result that the present system of *pro forma* accounts was drawn up. The object of the scheme was to show clearly and definitely the expenditure under the several heads of charge; and on the scheme of accounts as then settled, the surplus due for the 30 years preceding the settlement was computed. The result was to show a surplus of roughly 40 lakhs. It is significant,—and I think it is due to the fact that this point has been overlooked, that much of the subsequent trouble has occurred—that nothing was said throughout the discussions with the Mysore Government that could in the least imply deviation from the earlier pronouncements of the Government of India, that the administrative needs of the Tract should constitute a first charge on its revenues, and that the right to settle the expenditure of any given year rested solely with the Government of India. On the other hand, the Mysore Government never challenged this principle. They were simply concerned to obtain a clear method of accounts so that they should know year by year how they stood. There was nothing whatever said at the time the surplus was worked out about special grants, and it may be taken as assumed that special grants were, in accordance with the ordinary financial policy of the Government of India, included in the usual and normal administrative budget of the Tract as of any other fiscal unit. Moreover the *pro forma* accounts as drawn up to the end of 1911 included, as Sir Hugh Daly notes, many items which would ordinarily have been called special grants under the heads of Education, relief of congestion, Sanitation, and Medical. None of these was challenged when the scheme of *pro forma* accounts was originally drawn up, and the expenditure of 30 years assigned to the various heads of charge. The question was first raised by Sir Hugh Daly himself in 1913. His letter D. O. No. 7768, dated the 11th December 1913 to the Dewan, is referred to in the latest official letter from the Government of Mysore to the Residency. Sir Hugh Daly then announced that considerable grants had been included in the budget of that year and consequently the accounts showed a heavy deficit. He went on to say that he was in correspondence with the Government of India on the question of what proportion of these grants, or any similar grants made hereafter should, in fairness, be debited to the revenues of the Assigned Tract, and what proportion should be met from Imperial revenues. The grants referred to were for education and sanitation, to which the assent of the Government of India had been obtained in that year. The matter was referred to the Government of India, but was not settled when the War broke out, and this led to some delay. In some interim correspondence in 1915, the Government of India announced that, in accordance with the ordinary financial policy of the Government of India, it was appropriate that a considerable portion of the margin of general revenues, *i.e.*, the surplus, should be spent in the Station on the development of Education and Sanitation, and it was then announced that no grants would be given in future at the cost of Imperial revenues for such development in Bangalore. Later on, it was decided that the special grants made between 1910-11, and 1915-16, aggregating roughly 9·80 lakhs should be debited to Imperial revenues as a special case, but that in future, expenditure under these heads must be incurred entirely at the charge of the revenues of the Tract, and in proportion to their capacity to meet it (Letter No. 5807, dated Bangalore 2nd August 1917).

2. I hope I have made it clear that the Government of India are not going outside the 1912 settlement in laying down clearly that special grants formed part of the administrative charges and should, as such, be included in the *pro forma* accounts. In point of fact, if instead of building up a reserve of 30 lakhs from the surplus for the years 1918-19, 1919-20, 1920-21, provision had been made under appropriate heads of accounts year by year up to 30 lakhs, it is difficult to see how the Mysore Government could challenge this action, more particularly as they have all along emphatically disclaimed any right of audit or scrutiny of the accounts. It is only in the matter of building up a reserve of roughly 30 lakhs out

of the surplus for three years, that the Government of India have deviated in any way from the 1912 settlement. The fact that the surplus had actually accrued in each of the years referred to, gave the Mysore Government an opening to challenge the action of the Government of India. The justification of the Government of India is that the conditions were abnormal owing to the War, when all expenditure, apart from unavoidable expenditure, was strictly held over. I think His Highness will agree that it would not be equitable to penalise the Station in these circumstances. They had had no grants for 6 years or so, and the 20½ lakhs to which the reserve was ultimately reduced, (the rest, 13 lakhs having been handed over to the Durbar) cannot be held to be an excessive sum, in view of the fact that it practically covers a period of 9 years from 1915-1924—and considering too that the years were years of a very heavy surplus. It is important to remember too that 13 lakhs out of the reserve has been handed over to the Mysore Government in consideration of the fact that the question of their share of the surplus had not been settled each year as it should have been. It will be seen that the average grant works out roughly to little over 2½ lakhs per year for the period 1915-1924. I should also like to point out that such special grants are an ordinary feature of provincial finance. Such grants have been paid in the past to Mysore City and Bangalore City, and other towns in the Mysore State. We must in fairness, I think, look on the Tract as a financial unit like Coorg, Delhi, Ajmer-Merwara. On this basis grants would be given from the provincial budget to finance improvements in the ordinary course.

3. The latest letter from the Government of India with regard to the system under which special grants are to be made, represents an effort to make the 1912 settlement workable. In point of fact, as it stands, even under the scheme devised by the Government of India, there will be constant friction between the Residency and the Mysore Government—just what the Government of India in 1881 wished to avoid. The difficulties anticipated in that year have in fact been experienced. The Dewan in demi-official correspondence has practically challenged our right to spend any money at all—the market is unnecessary; special repairs for roads are not justified; the drainage scheme must be held up, and so on, and claims have been put forward in unofficial correspondence by the Dewan which practically assume the right of the Mysore Government to dictate what schemes we are to adopt. It was because I felt that the 1912 settlement was unworkable that I put forward, at the beginning of 1921, a scheme for reducing the Subsidy by an agreed amount representing a rough estimate of the Mysore Durbar's share of the surplus. This, however, was not acceptable to His Highness, and I have no desire to re-open the question. I would, however, observe that this is undoubtedly what the Government of India intended from the policy enunciated in 1881, and the Mysore Government have repeatedly asked up to 1910 that the Subsidy should be reduced on this basis. The suggestion made by them in 1917 that their share of the revenues should be commuted into an annual payment of 1½ lakhs is on the same lines. The difficulties of operating the *pro forma* accounts system, as I have said, have not been removed by the recent pronouncements of the Government of India. His Excellency the Viceroy realises this, and he is very anxious that a scheme should be devised which would automatically fix the amount payable year by year to the Mysore Government. We cannot pledge ourselves to pay an annual subvention irrespective of the revenues, for reasons already given. For safety's sake it would have to be fixed at a low figure, which would hardly be acceptable to the Mysore Government. I wish to make it clear that the Government of India are not asking the Mysore Government to concede anything. What they have in view is to give the 1912 settlement operation without the endless friction which must arise if the Mysore Government are to criticise expenditure in the Tract. As I explained to His Highness, the scheme which commends itself to His Excellency the Viceroy is the fixing of a *datum line* representing the ordinary recurring expenditure of the Tract for a term of years; anything above this line to be shared in an agreed proportion between the Tract and the Mysore Government. From what I understood His Highness to say, he was quite prepared to consider the possibility of a settlement on these lines.

4. We are then concerned with the search for a formula,—not a very easy business. It is a matter of give and take, of compromise, and will, I hope, be approached by the Mysore Government in the broad and generous spirit which

I think the Government of India may fairly claim to have characterised their dealing with the question of the surplus revenues of the Tract. (The Mysore Government will have benefitted to the extent of nearly a crore of rupees from these revenues by 1924-25). The question which obtrudes itself at the outset is, what is actually meant by surplus? I would define it as the amount left over from the receipts after the *full* expenditure as sanctioned by the Government of India under the various *pro forma* heads has been met. Such expenditure will include so-called special grants. It is conceded that the Station can reasonably expect help from the local provincial budget in these development schemes, just as much as Mysore City or Bangalore City receives such help from the Mysore State; towns in the British Provinces are similarly benefitted. A point which should be taken into consideration in determining the measure of such grants, is the amount of the revenues raised in the Tract from the local tax-payer. If the amount is small, the budget meagre, the Station cannot expect anything; if the revenues are abundant, then since they are raised in the Tract, the people of the Tract can expect a larger amount. The Station was described in 1858 by the Government of India as a great Civil and Military Station, in foreign territory. It then comprised its present area with the addition of the Durbar Offices, the Jail, etc. These were naturally excluded in 1881. The great civil population composed largely of Europeans, Anglo-Indians, Indian pensioners, business men and other middle class Indians, has grown up in the Station round the Cantonment. There are many European shops, and large business enterprises such as the Tobacco Factory and the Brewery. The Survey Department of the Government of India; the Posts and Telegraphs; the M. & S. M. Railway Company use the Station as local headquarters. The bulk of the revenues is paid by persons unconnected with the military part of the Station, and it is their interests which we have mainly to consider. The relief of congestion, improvement of sanitation and education are the matters in which they are principally interested, and I feel sure that His Highness will agree with me that a liberal view should be taken of their necessities. The revenues are large because this population exists in the Civil and Military Station.

5. One aspect of the case is to assume the existence in the Tract of a provincial settlement. The Tract may fairly be taken as an independent fiscal unit. Its revenues have, for years, been greater than the Coorg revenues, for example. If it had had a provincial settlement before the Reforms, various items of revenue would have been shared between Imperial and provincial. The Government of India could well have claimed that its share should be given to the Mysore Government on the ground that they had definitely repudiated any desire to benefit Imperial revenues from the Tract. It would not have been a departure from that position if the special grants made under the old system from Imperial-provincial had first been made before ascertaining the actual Imperial share. The old system was simply giving back part of the provincial revenues for expenditure in the province. Under the Devolution Rules framed for the purpose of fixing the existing basis of present finance, the Government of India take the Income-tax plus a contribution. They make no special grants. In a Tract like the Civil and Military Station they would take the Income-tax—say 2½ lakhs—plus a contribution. A rough estimate on these lines might help to serve as a test as to the proper share of the Mysore Government. Another test would be the average amounts received from the Mysore Government by the Cities of Bangalore and Mysore during the past 10 years. The question is complicated, but if it is approached in a generous spirit, I feel sure that the difficulties will be overcome. It is to the advantage of both parties that the matter should be settled amicably. A reasonable annual payment to the Mysore Government would be a much more satisfactory method than having to depend on a surplus which might vary greatly from year to year.

6. The five years' figures, going back from the budget of 1924-25 which has recently been framed, suggests a datum line of at least 12 lakhs. We have spent practically nothing in the last 7 or 8 years on Public Works, and there are several schemes waiting to be financed. It is a point that cannot be entirely overlooked. It is necessary for the Station to have a reasonable balance over and above its actual expenditure. For example, the expenditure in the budget for the year 1924-25 is 13·32 lakhs, or 1¼ lakhs over and above the datum line. This includes no special grants under Education and Sanitation, and nothing for new buildings under the P. W. D. The revenue is roughly 18·91 lakhs for the year referred to.

The surplus over the datum line would be 6·91 lakhs, and of this, I think the Station would require a minimum of at least 2½ lakhs to meet the excess over the datum line and to allow a reasonable margin. There would remain to the Mysore Government roughly 4½ lakhs. These figures are of course only tentative, and are intended to illustrate how the scheme of sharing the amount over and above a datum line might work.

7. There is another point to which I briefly alluded in conversation with His Highness, *viz.*, the liability of the Government of India to contribute towards the special grants allocated to the Station because of the presence of a Military Cantonment in the Tract. The Mysore Government appears to be influenced by a desire that the Government of India should be held to the strict letter of their pledge, and that the Imperial revenues shall not benefit in the smallest possible degree from the revenues of the Tract. It might be pointed out here, that but for the Cantonment there would be no so-called assigned Tract at all, and it is highly improbable that but for the existence of the Cantonment, the Tract within its present area, would ever have given to the Mysore Government a tenth of what they have received or are likely to receive from the Tract as it stands. The comparatively high standard of civic development which we hope to maintain is necessitated by the large civil population and not by the Cantonment. It has never been the policy of the Government of India to incur heavy outlay in the improvement of Cantonments, and if the Military population in Bangalore indirectly benefit from improvements carried out at the expense of Tract revenues, it would be very difficult to assess a pecuniary equivalent, the burden of which should be laid on the Government of India. This is a matter, I venture to think, for the display of a generous spirit: not for a clash of argument more suited to the Law Courts. It might be noted here as bearing on the merits of this question, that for 35 years income-tax has been paid in the Tract, a large share of which has been made over to the Mysore Government; whereas in Mysore territories no such tax was in existence until 1921. Also for a long period of years the Mysore Government benefitted at the expense of the British taxpayer from the system of Imperial finance under which there were no provincial adjustments, in the matter of excise duties. For many years, more than a lakh of rupees has been absorbed in budgets of the Tract, which under the system recently introduced would have gone to Bombay or Madras,—involving a large sum of which the Mysore Government had a considerable share. Another point which is equally relevant is that the Imperial Government paid from Imperial revenues special grants given between 1910-11, and 1915-16, aggregating 9·80 lakhs. They were under no obligation to do so, and I think His Highness will admit that it was an act of generosity. The point can of course be referred to the Government of India if His Highness so wishes, although the Government of India have definitely declined to contribute towards special grants in future in the Tract. In view of the immense preponderance of the civil population, the amount could not be very much in any case, and I would put it to His Highness whether it is worth while pressing a question like this which probably does not involve a matter of a quarter of a lakh more. I believe it is understood that the Military Authorities will continue to contribute to any special improvements, *e.g.* water supply, from which the Military population definitely and distinctly benefit.

8. In conclusion, I would refer to His Highness' anxiety lest the Tract should be over developed, with the possible consequence that the Military would be crowded out of the Station, thereby involving an expansion of the Station boundaries. His Highness' fears are, I think, unfounded. We have no desire to expand the inhabited areas or to attract people from outside. Nothing beyond ordinary normal development is contemplated. At the same time, as I told His Highness, I am quite prepared to suggest to the Government of India that we should formulate a definite policy of town-planning with a view to restrict, as far as possible, the construction of buildings on unoccupied land of the Civil Station.

Copy of D. O. letter dated 19th October 1923 from the British Resident in Mysore, to the Dewan of Mysore.

Could you possibly have a talk about the Assigned Tract Revenues question some time to-morrow? It would be a great advantage to take it up here as references to His Highness may be necessary. If we could begin to-morrow we could meet again on Sunday or Monday if necessary. I feel that you and I ought to be able to agree on a formula His Highness might accept.

I should like to keep Sunday clear for a holiday trip, but if that day suits you better, I should be at your service.

Copy of D. O. letter dated 20th October 1923 from the Private Secretary to His Highness the Maharaja, to the Dewan of Mysore.

I am directed to return, with thanks, the Financial Secretary's letters relating to the calculations based on the datum line and the division of the Surplus Revenues, sent with your letter No. P. 160, dated the 13th instant.

Confidential D. O. letter dated 20th October 1923 from the Private Secretary to His Highness the Maharaja, to the Dewan of Mysore.

I am directed to send you herewith a copy of a letter* with its enclosure, which I have received from the Resident, on the subject of the Civil and Military Station Surplus, for your information.

D. O. No. P. 175/Enc. 2, dated 22nd October 1923, from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja.

I discussed at great length the question of the surplus of the Civil and Military Station with the Resident yesterday. Mr. Barton admitted that the withholding of the surpluses for the three years from 1918-19 was a departure from the settlement of 1912. He admitted also that the new arrangement suggested by the Government of India and communicated in the Residency letter No. C. 2534/211, dated 7th May 1923 in regard to the calculation of the annual surpluses to be made over to the Mysore Government after providing for the administrative needs of the Station, including special grants for development purposes, was not satisfactory and workable and would lead to frequent controversies and that His Excellency the Viceroy also agreed in this view.

Mr. Barton urged that any new settlement arrived at should assure to the Station adequate revenues for maintaining the present standard of expenditure and also allow a reasonable share of the annual surpluses for measures of improvement and development. I suggested that the simplest arrangement would be to allow to the Station a share of the gross revenues for all purposes—recurring and non-recurring. Mr. Barton stated that this arrangement would make the Station expenditure vary with the fluctuations in revenue and the stability of its administration would thus be interfered with. He was not, therefore, agreeable to this arrangement.

(* Letter No. C. 2888/211, dated 16th October 1923 printed above).

The fixing of the datum line, *i.e.*, the amount to be allowed, as the first charge upon the gross revenues, for meeting the existing standard of expenditure is the most important part of the new settlement proposed by Mr. Barton and it accordingly formed the subject of protracted discussion for two hours. With reference to the figures of expenditure—actuals and estimates—from 1921-22, Mr. Barton stated that it was not possible to fix this limit at less than Rs. 12½ lakhs. I pointed out that the level of annual expenditure had been permitted to grow very largely in the last few years and that the standard which was only about Rs. 8 lakhs in 1917-18 had been raised as high as Rs. 13 1/3 lakhs in the proposed estimates for 1924-25 and urged that it was not fair to adopt the more recent figures for the determination of the datum line. Mr. Barton stated that the expenditure on “Law and Justice”, “Police”, “Education” and “Public Health” had increased and that it was not possible to cut it down; and added that, with the best efforts for keeping down expenditure, it would be impossible to reduce it below Rs. 12,50,000. I stated that even the figure of Rs. 12,50,000 was too high and that 11 lakhs may be a reasonable figure; but Mr. Barton said it was impossible to take anything below 12 lakhs; and without committing the Government—as the matter required consideration in Council and submission to His Highness—I suggested Rs. 11½ lakhs, splitting the difference, as the datum line with reference to which the calculation of the divisible surplus should be made, as I found by careful calculation that the recurring charges of total administration would not in any one year be less than Rs. 12 lakhs at least on the present basis, omitting all special expenditure. As regards the proportion in which the divisible surplus should be shared by the Station and the State, Mr. Barton stated that the former should get 2/5 and the latter 3/5.

The conditions of the new settlement proposed by the Resident are as under :—

1. The new agreement may be for a period of ten years.
2. Payment of Rs. 5 lakhs out of the withheld surplus of Rs. 20½ lakhs.
3. Datum line to be fixed at Rs. 12 lakhs.
4. Balance of gross revenues over Rs. 12 lakhs to be divided between the Station and the State in the ratio of 2 : 3.
5. Income from Productive Works financed from the revenues of the Station to be treated as the revenue of the Assigned Tract. If the capital of any Productive Work is found both by the Station and the Station Municipality, the net revenue to be shared by them in the ratio of their contributions to capital.
6. No part of the surplus to be set aside for forming a reserve for meeting future deficits.

We may agree to the term of ten years for the new settlement, to be in force in the first instance. Our contention that the income from capital works carried out from the revenues of the Station should be treated as its revenue has been admitted and condition No. 5 is therefore all right. Under the arrangement of a datum line which assures to the Station a part of its gross revenues for the fixed standard of its expenditure, there is no need for a reserve for meeting deficits, and condition No. 6 is also all right.

Conditions 2, 3 and 4 require to be considered before they can be accepted, with a view to see what modifications are necessary to make them acceptable to us.

The total amount of the surpluses withheld to the end of 1920-21, the disposal of which has now to be considered, is as follows :—

				Rs.	
Reserve formed to end of 1917-18	...	...	...	5'00	lakhs.
Surplus for the year 1918-19	...	...	...	9'83	"
Do 1919-20	...	...	...	9'63	"
Do 1920-21	...	...	...	9'56	"
				—	
		Total	...	34'02	lakhs.
Deduct amount paid to us in 1922-23	...	...	...	13'27	"
				—	
		Balance	...	20'75	"

The reserve of Rs. 5 lakhs was built up “for the purpose of meeting possible deficits in future years.” The utilization of this reserve for optional measures of improvement is therefore strictly not consistent with the object for which it was formed and now that the maintenance of a reserve of this kind is not part of the new settlement, we may reasonably ask for the refund of the whole of this amount. If, however, this sum is paid to us, the balance left will be Rs. 20·75 lakhs *minus* Rs. 5·00 lakhs, or Rs. 15·75 lakhs. Whether we should insist upon

the payment of the reserve of Rs. 5 lakhs or not, depends upon two factors: (1) whether in the circumstances of the case and in view of the demands on account of the several schemes undertaken by the Station, a sum of Rs. 15.75 lakhs is sufficient, and (2) whether this amount is more, or less, than what the Station would have received out of the divisible surplus, had the settlement now proposed been followed for the disposal of the surpluses of the six years from 1918-19. I do not think the authorities of the Station will consider a sum of Rs. 15.75 lakhs as

1918-19	...	4.92	adequate for all the schemes they have in view. The
1919-20	...	3.31	amount which the Station would have received out of the
1920-21	...	2.95	surpluses for the six years from 1918-19, had the new
1921-22	...	2.96	settlement, with the modifications which I shall presently
1922-23	...	1.20	suggest, been in force, is Rs. 16.71 lakhs as noted in the
1923-24	...	1.37	margin. I do not think in the circumstances of the case,

Total ... 16.71

we can expect the Station to accept anything less than Rs. 16.71 lakhs. If we insist upon the repayment of the whole of the surplus of Rs. 5 lakhs, the amount left, *viz.*, Rs. 15.75 lakhs, would be less than what the Station would have received even under the new arrangement. If the whole of the actual surpluses for the three years from 1921-22 are given us, the sum of Rs. 15.75 lakhs, though reserved out of the surpluses of the three years from 1918-19, may be regarded as the Station share of the surplus for the six years from 1918-19 and the annual average rate will be about Rs. 2.62 lakhs which is about the amount the Station is expected to get under the new settlement from 1924-25. I do not therefore think that we can ask for the refund of the reserve of Rs. 5 lakhs. Condition No. 2 may also, therefore, be accepted.

As regards condition No. 3, I think it is necessary to insist upon the datum line being drawn at Rs. 11.75 lakhs; and as for the proportion in which the divisible surplus should be shared, I would suggest that one-fourth may be taken by the Station and three-fourths given to us.

The conditions of the settlement which we may suggest for adoption may be as follows:—

1. *Pro forma* accounts to be maintained under the present system, irrespective of the result.
2. The new agreement to be in force for ten years and at the end of this period, it should be open to either reduce, confirm or raise the datum line according to circumstances.
3. Payment of Rs. 5 lakhs out of the withheld surplus of Rs. 20 3/4 lakhs.
4. Datum line to be fixed at Rs. 11 3/4 lakhs.
5. Excess of annual gross revenues over the datum line of Rs. 11 3/4 lakhs to be divided between the State and the Station in the ratio of 3 : 1.
6. Income from Productive Works financed from the revenues of the Station to be treated as the revenue of the Assigned Tract. If the capital of any productive work is found both by the Station and the Station Municipality, the net revenue to be shared by them in the ratio of their contributions to capital.
7. No part of the surplus to be set aside for forming a reserve for meeting future deficits.

I annex statements to show how Mr. Barton's and my settlements will work adopting the figures—actuals and estimates for the seven years from 1918-19. I note below the share of the surplus which the Station and the State will get according to the two settlements:—

(Figures in thousands.)

Year	Settlement proposed by the Resident			Settlement proposed in this letter		
	Datum line : Rs. 12 lakhs			Datum line : Rs. 11 3/4 lakhs		
	Surplus excluding recurring grant of half a lakh to the Station Municipality	Surplus including recurring grant of half a lakh to the Station Municipality	State's Share	Surplus excluding recurring grant of half a lakh to the Station Municipality	Surplus including recurring grant of half a lakh to the Station Municipality	State's Share
1918-19	605	655	378	492	542	491
1919-20	473	564	493	331	422	635
1920-21	443	493	514	295	345	662
1921-22	461	511	587	296	346	752
1922-23	265	315	502	120	170	647
1923-24	301	351	582	137	187	746
1924-25	144	194	415	21	71	538

It will be seen from the above figures that the share of the surplus allotted to the Station according to the settlement proposed by Mr. Barton is unnecessarily large, especially in view of the fact that the datum line itself is fixed at Rs. 12 lakhs. The share to be received by the Station according to the settlement proposed by me is reasonable and may be taken to be about Rs. 2 lakhs per annum over and above Rs. 11 3/4 lakhs secured under the datum line, on the standard of the figures for 1922-23 and 1923-24. The share of surplus worked out for 1924-25 appears less, because the expenditure estimate has been pitched as high as Rs. 13 1/3 lakhs and the estimate of revenue under Excise has been taken at Rs. 2 lakhs less than in 1923-24 and that under Income-tax, at Rs. 1 lakh less. I do not think such large falling off in revenue under these two heads need be apprehended. When the datum line is placed at about Rs. 12 lakhs, the expenditure estimate will be reduced and the result of increased revenue and decreased expenditure will be larger total surplus and the shares of the Station and the State will also be correspondingly larger.

The year from which the new settlement should be brought into force has to be decided. The actual surplus according to the *pro forma* account was handed over to us for the year 1921-22. In our Budget Estimates for the current year, we have counted upon receiving the actual surplus according to the same account for the year 1922-23. The Budget of the Station for 1923-24 was sanctioned in March last apparently on the assumption that the surplus of the year, whatever it is according to the *pro forma* account, was to be handed over to us. The settlement of 1912 may therefore be followed for these three years and the new settlement not given any retrospective effect. It may be brought into force commencing from the year 1924-25.

As regards our share of the surplus from 1924-25, it may be roughly estimated at about Rs. 6 lakhs. The average annual surplus of the *pro forma* account due to us from the year 1918-19 was about Rs. 10 lakhs but this will be substantially reduced as the result of three factors: (1) the annual standard of expenditure of the Station has been largely raised in recent years; (2) there has been no increase of revenue corresponding to the growth of expenditure: on the other hand, there is a falling off under Excise which is the chief source of revenue of the Station; and (3) the reduced surplus has itself to be shared between the Station and the State according to the new settlement. Allowing for a datum line of Rs. 11 1/4 lakhs and assuming a gross revenue of about Rs. 20 lakhs the divisible surplus is itself reduced to about Rs. 8 lakhs and we cannot, under these circumstances, expect a larger revenue than about Rs. 6 lakhs.

I would, in the circumstances, suggest that we might accept the Resident's settlement subject to the modification suggested by me in respect of the datum line and the sharing of the surplus, and adopt it beginning with the year 1924-25.

We agree to most of the conditions suggested by Mr. Barton including that relating to the payment of only Rs. 5 lakhs from the withheld surplus. The reduction in the datum line proposed by me, compared with that suggested by Mr. Barton, is only Rs. 25,000 and one-fourth of even this amount will be taken by the Station in the distribution of the surplus which is increased by placing the datum line lower. The only real change made in his proposal is in regard to the proportions in which the excess over the *datum line* should be divided between the Station and the State. He wants two-fifths, and we propose one-fourth, and the difference is only three-twentieths. Considering the fact that the annual standard of expenditure of the Station is high, that the stability of even such a standard is assured by the *datum line* arrangement, and that measures of improvement can be spread over a long period and carried out from the one-fourth share of the surplus to be received by the Station, I think that the modifications suggested by me ought to be accepted by Mr. Barton.

Calculation of the Shares of the Station and of the State according to the settlement proposed by the Resident.

(Figures in thousands.)

Year	Gross Revenue	Datum line	Surplus	Station share 2/5 of surplus	State share 3/5 of surplus	Total share of Station. Datum line plus 2/5 of the surplus	Expenditure	Station surplus excluding recurring grant of Rs. 50,000 to Station Municipality	Station surplus including recurring grant of Rs. 50,000 to Station Municipality	Remarks
1918-19	18,29	12,00	6,29	2,51	3,78	14,51	8,46	6,05	6,55	
1919-20	20,22	12,00	8,22	3,29	4,93	15,29	10,56	4,73	5,64	
1920-21	20,57	12,00	8,57	3,43	5,14	15,43	11,00	4,43	4,93	
1921-22	21,78	12,00	9,78	3,91	5,87	15,91	11,30	4,61	5,11	
1922-23	20,37	12,00	8,37	3,35	5,02	15,35	12,70	2,65	3,15	
1923-24	21,70	12,00	9,70	3,88	5,82	15,88	12,87	3,01	3,51	
1924-25	18,92	12,00	6,92	2,77	4,15	14,77	13,33	1,44	1,94	

Calculation of the shares of the Station and of the State according to the modified settlement proposed in this letter.

(Figures in thousands.)

Year	Gross Revenue	Datum line	Surplus	Station share 1/4 of the surplus	State share 3/4 of the surplus	Total share of Station datum line + 1/4 of surplus	Expenditure according to pro forma account	Station surplus excluding recurring grant of Rs. 50,000 to Station Municipality	Station surplus including recurring grant of Rs. 50,000 to Station Municipality	Remarks
1918-19	18,29	11,75	6,54	1,63	4,91	13,38	8,46	4,92	5,42	
1919-20	20,22	11,75	8,47	2,12	6,35	13,57	10,56	3,31	4,22	
1920-21	20,57	11,75	8,82	2,20	6,62	13,95	11,00	2,95	3,45	
1921-22	21,78	11,75	10,03	2,51	7,52	14,26	11,30	2,96	3,46	
1922-23	20,37	11,75	8,62	2,15	6,47	13,90	12,70	1,20	1,70	
1923-24	21,70	11,75	9,95	2,49	7,46	14,24	12,87	1,37	1,87	
1924-25	18,92	11,75	7,17	1,79	5,38	13,54	13,33	21	71	

or

Copy of D. O. letter dated 22nd October 1923 from the Private Secretary to His Highness the Maharaja to the Dewan of Mysore.

I have submitted your demi-official letter of this morning to His Highness, with regard to the Civil and Military Station Surplus, and am desired to inform you that His Highness approves of your proposals. You may now inform Mr. Barton orally that his suggestions are generally acceptable, subject to the modifications suggested by you.

Copy of D. O. letter dated 23rd October 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja.

Mr. Barton would not move an inch from his proposals, viz., 12 lakhs datum line and share three-fifths and two-fifths. After a lot of discussion, he came down to five-eighths and three-eighths. I said that the utmost I could suggest was 12 lakhs against 11.75 lakhs datum line originally proposed and share three-fourths and one-fourth. He did not agree. That is where we stand. The other terms remain as they are.

Confidential D. O. letter dated 24th October 1923 from the Private Secretary to His Highness the Maharaja to the Dewan of Mysore.

I do not know if, in view of the developments that have since taken place in regard to the question, you would like to write to the Political Secretary, complaining of the Resident's action. Would you kindly let me know?

I am returning the file herewith.

POLITICAL SECRETARY'S CAMP,
Dated Poona, the 24th/25th October 1923.

DEAR MR. BANERJI,

Please refer to your confidential letter of 1st September, enclosing a press cutting about the expenditure of a large sum of money from the surplus on the roads in the Station. I wrote to the Resident and asked him what the facts of the case from his side were. I understand that this project was initiated by Mr. Barton's predecessor and not by himself. It had the amplest justification in the fact that the usual road repairs in the Civil and Military Station had to give place during war time to the more urgent needs of war, while the roads were cut to pieces by the heavy traffic which resulted from the presence of the large military garrison (between 30,000 & 40,000 men) scattered over the Civil and Military Station towards the close of the war and from the heavy trade in hides and skins exported for military requirements. The resolution which the Resident refused to confirm was passed by a snatch vote at the end of a long meeting when a number of Commissioners had left. It was promptly rescinded by them at the next meeting. It is evident, therefore, that this scheme was really necessary, and that the opportunity was not taken, as you surmise, for diverting the surplus revenues from the Mysore State for an unnecessary object.

In a private and informal letter dated the 4th August, which you wrote to the Private Secretary to the Viceroy, you made certain strictures on the attitude of the Resident. You said something similar to that during the interview which you had with His Excellency the Viceroy on the 30th July. His Excellency at that time explained to you that there might be cases in which there was a tendency for the two duties of the Resident (1) as Resident in Mysore, and (2) as the Commis-

sioner of Bangalore Civil and Military District to come into opposition, but the Resident was always an officer selected for his capacity and fairmindedness, and moreover, there was the Government of India to which an appeal could be made. You said that the Government usually paid attention to the man on the spot. His Excellency agreed with you in this, but said that nevertheless he had on various occasions intervened in matters affecting the States, notwithstanding that the main guiding principle was to trust the officer on the spot. This is the attitude of the Government of India, and I am sure, that you will agree that this is a wise one. I earnestly commend for your consideration that you should work in with the Resident as much as possible and try to see something of his point of view. I know that it is difficult always to do this, but the question at present at issue is essentially one of give and take, and nothing would give the Government of India greater pleasure than to hear that you, as representing the Durbar and the Resident had come to an amicable settlement of the vexed question on the discussion of which you are now engaged.

Yours sincerely,
G. D. OGILVIE.

A. R. BANERJI, Esq., C.S.I., C.I.E.,
Dewan of Mysore, Bangalore.

D. O. No. C—2904-211/Encl. 2.

THE RESIDENCY,
BANGALORE,
25th October 1923.

MY DEAR MAHARAJA SAHIB,

As promised I send Your Highness a series of statistics illustrating our conversation of Tuesday, regarding the Assigned Tract revenues.

2. I explained to Your Highness the grounds on which I was unable to accept Mr. Banerji's offer of 11·75 as a *datum line* with $\frac{1}{4}$ th of the margin over the *datum line*. For one thing we cannot take a five years average of expenditure. The charges on account of salaries have gone up from 2·63 lakhs in 1919-20 to 4·45 lakhs in 1924-25 and these are not susceptible of reduction. Our recurring expenditure for the past two years was about 12·75 lakhs: next year it is estimated to be 13·32. Thus our *datum line* should really be in the neighbourhood of 13 lakhs instead of 12 lakhs to which I have finally agreed to reduce it. Another important point is that the figures do not include fresh expenditure under the Public Works Department. We have projects in view running into several lakhs and we ought to estimate for at least ·50 to ·75 as part of the normal expenditure for new works. This would mean that for next year Mr. Banerji's figures would give us only 13·54 lakhs with which to meet a minimum expenditure of 13·80 obviously an impossible proposition. The fallacy of Mr. Banerji's figures lies in his taking years of low expenditure and high revenue as normal features of the Station budget. If we could keep our budget at 10½ lakhs and revenue at 20 lakhs, we should do quite comfortably on Mr. Banerji's estimates. This, however, is absolutely impossible, and Mr. Banerji would strangle the development of the Station and keep us in a chronic state of insolvency. The Government of India would, I feel sure, find it impossible to accept his formula.

3. Permit me to mention a few other relevant points. Assuming a datum line of 11·75, and a proportion of $\frac{1}{4}$ th: assuming further that the revenue remains at about 19 lakhs for the next 3 or 4 years, it is more than likely that for the next four or five years, there would be nothing to spend at all on developments. We should only get about 13½ lakhs, and if we are to spend anything at all on P.W.D. we could only do so by starving education and hospitals. We could not exceed our revenues. Thus the Station would have to face the loss of 5 lakhs offered from the reserve of 20½ lakhs with prospect of beginning to make it good for several years.

4. If the proportion is to be $\frac{1}{4}$ th, the datum line must be put at 13 lakhs, a figure below which, especially if normal expenditure under the P.W. D is to be brought in, our ordinary expenditure is never likely to fall. This gives much the same results as the 12 lakhs datum line, and $\frac{1}{3}$ rd proportion.

5. I feel that, in my effort to come nearer to Mr. Banerji, I have perhaps gone further than the legitimate interests of the Station permit. The result is, as Your Highness will see from the figures, that for next year the difference between my proposition and that of the Dewan is only Rs. 80,000,—14.30 and 13.50 lakhs. My figure leaves little if any room for special development for the next few years, if we are to spend 2 or 3 lakhs on public works, especially as we shall have to maintain a balance of a lakh if there is to be no reserve. In fact I have come down to a point where the future of the Station is a mere gamble on whether the revenues will improve or not. If they go up to 20 or 21 lakhs we shall do quite decently. If they fall we get nothing.

6. It must be remembered that the more we spend on improvements, the more will the Station attract visitors, thus improving the Station revenues. It follows that to impose on the Station a financial policy which would starve it and stunt its growth is as unwise as it is inequitable.

7. Mr. Banerji thought that the Station might fairly expect from 1½ to 2 lakhs for developments yearly if the revenues are maintained. On the figures suggested there is no hope of anything so large as this at any time so far as I can see, unless the revenues expand enormously which is not very likely. May I be permitted here to allude to the large grants given to Bangalore City and Mysore, out of all proportion to the revenues accruing to the State from those two cities, especially in the years before the introduction of income-tax in the State? The Civil and Military Station may not unreasonably expect to be treated on similar lines.

8. I offer to recommend to the Government of India the alternative formulae 12 lakhs datum line plus 1/3rd of the amount above the line, or 13 lakhs datum line plus 1/4th. I feel that I have come down to bed-rock, and I earnestly advise Your Highness in the interests of your State to accept this automatic method of fixing the share of the Assigned Tract revenues to be handed over to the State. No one can possibly say that the datum lines and proportions suggested err on the side of liberality to the Station. In fact the Tract would, I think, be better off, if the method of annual special grants were made, as suggested by the Government of India. The local administration is placed in the strait waist-coat of a datum line far below its ordinary normal expenditure if the 12 lakhs limit is accepted and out of this share of the revenue, above the datum line, it will have in most years to take at least a lakh and a half for ordinary expenditure leaving barely an average of 75 of a lakh for development. The finance of the Station will not be an easy problem under the scheme I propound to Your Highness, and I have an unpleasant feeling that I may be leaving, in this matter, a legacy to my successors, different in kind but equally onerous as the inheritance I received from my predecessors. On the other hand with a 20 lakh revenue the Mysore State takes 5.33 lakhs a sum in excess of what was asked for as an annual payment in 1921. At least their interests have not been overlooked.

9. It now rests with Your Highness to consider and finally decide on the proposition I have placed before you. I feel that in deciding, Your Highness will be actuated by a spirit of generous sympathy and good-will towards the Station: to a community which has contributed close on a crore of rupees to the revenues of your State within the past 40 years. As you know, His Excellency the Viceroy is particularly anxious that this unfortunate question should be settled at once on the basis of a compromise equitable to both parties.

10. If Your Highness agrees to one of the alternatives, the stipulation regarding the reservation of available building ground for military purposes arising out of unforeseen requirements, can be discussed further. There will be no difficulty about formulating a policy with a view to prevent overbuilding in the Station with its possible consequence of crowding out the military elements.

Yours sincerely,
Sd. W. P. BARTON.

TO HIS HIGHNESS MAHARAJA

SIR SRI KRISHNARAJA WADIYAR BAHADUR,

G.C.S.I., G.B.E.,

Mysore.

Period	Total revenue of the Civil and Military Station	Datum line	Actuals and estimated expenditure	Surplus over the Datum line	Proportionate share		
					4th to Civil and Military Station	Total of columns 3 and 6	2ths to Mysore Government
J	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1919-20	20,22,213	11,75,000	10,59,586	8,47,213	2,11,803	13,86,803	6,35,410
1920-21	20,56,900	11,75,000	11,00,569	8,81,900	2,20,475	13,95,475	6,61,425
1921-22	21,77,914	11,75,000	11,30,195	10,02,914	2,50,728	14,25,728	7,52,186
1922-23	20,37,296	11,75,000	12,70,854	8,62,296	2,15,574	13,90,574	6,45,722
1923-24	21,70,000	11,75,000	12,87,420	9,95,000	2,48,750	14,23,750	7,16,250
1924-25	18,91,800	11,75,000	13,32,610	7,16,800	1,79,200	13,54,200	5,37,600
Total	1,23,56,123	70,50,000	71,81,234	53,06,123	13,26,530	83,76,530	39,79,593
					12/5ths to Civil and Military Station.		3/5ths to Mysore Government.
1919-20	20,22,213	12,00,000	10,59,586	8,22,213	3,38,585	15,28,885	4,93,328
1920-21	20,56,900	12,00,000	11,00,569	8,56,900	3,42,760	16,42,760	5,14,140
1921-22	21,77,914	12,00,000	11,30,195	9,77,914	3,91,165	15,91,165	5,86,749
1922-23	20,37,296	12,00,000	12,70,854	8,37,296	3,34,918	15,31,918	5,02,378
1923-24	21,70,000	12,00,000	12,87,420	9,70,000	3,88,000	15,88,000	5,82,000
1924-25	18,91,800	12,00,000	13,32,610	6,91,800	2,76,720	14,76,720	4,15,080
Total	1,23,56,123	72,00,000	71,81,234	51,56,123	20,62,418	92,62,448	30,39,675
					4rd to Civil and Military Station.		2/3rds to Mysore Government.
1919-20	20,22,213	12,00,000	10,59,586	8,22,213	2,74,071	14,74,071	5,48,142
1920-21	20,56,900	12,00,000	11,00,569	8,56,900	2,55,633	14,85,633	5,71,267
1921-22	21,77,914	12,00,000	11,30,195	9,77,914	3,25,971	15,25,971	6,51,943
1922-23	20,37,296	12,00,000	12,70,854	8,37,296	2,79,098	14,79,098	1,58,198
1923-24	21,70,000	12,00,000	12,87,420	9,70,000	3,23,333	15,23,333	6,46,667
1924-25	18,91,800	12,00,000	13,32,610	6,91,800	2,30,600	14,30,600	4,61,200
Total	1,23,56,123	72,00,000	71,81,234	51,56,123	17,18,706	89,18,706	31,37,417
					1/4th to Civil and Military Station.		1/4ths to Mysore Government.
1919-20	20,22,213	13,00,000	10,59,586	7,22,213	1,80,553	14,80,553	5,41,680
1920-21	20,56,900	13,00,000	11,00,569	7,66,900	1,89,225	14,89,225	5,67,675
1921-22	21,77,914	13,00,000	11,30,195	8,77,914	2,19,478	15,19,478	6,58,436
1922-23	20,37,296	13,00,000	12,70,854	7,37,296	1,84,321	14,84,321	6,52,972
1923-24	21,70,000	13,00,000	12,87,420	8,70,000	2,17,500	15,17,500	6,52,500
1924-25	18,91,800	13,00,000	13,32,610	5,91,800	1,47,950	14,47,950	4,43,850
Total	1,23,56,123	78,00,000	71,81,234	45,56,123	11,39,030	89,39,030	34,17,093

Assumed figures.

Period	Total revenue of the Civil and Military Station	Datum line	Estimated expenditure	Surplus over the Datum line	Proportionate share		
					1/4th to Civil and Military Station	Total of columns 3 and 6	3/4ths to Mysore Government
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1925-26	18,00,000	11,75,000	13,33,000	6,25,000	1,56,250	13,31,250	4,68,750
1926-27	20,00,000	11,75,000	13,33,000	8,25,000	2,06,250	13,81,250	6,18,750
Total	38,00,000	23,50,000	26,66,000	14,50,000	3,62,500	27,12,500	10,87,500
					2 5/8ths to Civil and Military Station.		3 5/8ths to Mysore Government.
1925-26	18,00,000	12,00,000	13,33,000	6,00,000	2,40,000	14,40,000	3,60,000
1926-27	20,00,000	12,00,000	13,33,000	8,00,000	3,20,000	15,20,000	4,80,000
Total	38,00,000	24,00,000	26,66,000	14,00,000	5,60,000	29,60,000	8,40,000
					1/4 to Civil and Military Station.		2 3/4ths to Mysore Government.
1925-26	18,00,000	12,00,000	13,33,000	6,00,000	2,00,000	14,00,000	4,00,000
1926-27	20,00,000	12,00,000	13,33,000	8,00,000	2,66,666	14,66,666	5,33,334
Total	38,00,000	24,00,000	26,66,000	14,00,000	4,66,666	28,66,666	9,33,334
					1/4th to Civil and Military Station.		3/4ths to Mysore Government.
1925-26	18,00,000	13,00,000	13,33,000	5,00,000	1,25,000	14,25,000	3,75,000
1926-27	20,00,000	13,00,000	13,33,000	7,00,000	1,75,000	14,75,000	5,25,000
Total	38,00,000	26,00,000	26,66,000	12,00,000	3,00,000	29,00,000	9,00,000

Copy of D. O. No. P. 183, dated 26th October 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja.

Your confidential letter of the 24th October.

I think under the circumstances it is better to wait for some time to see what final action the Resident takes. Perhaps, you will kindly let me know what transpired at the interview which His Highness gave last Tuesday.

Confidential D. O. letter dated 28th October 1923 from the Private Secretary to His Highness the Maharaja, to the Dewan of Mysore.

His Highness desires me to send the enclosed letter (a) received from the Resident on the subject of the Civil and Military Station Surplus revenues, for your perusal. I shall come and discuss the question with you this evening at about 6 o'clock if it is quite convenient to you.

Confidential D. O. dated 30th October 1923 from the Private Secretary to His Highness the Maharaja of Mysore, to the Dewan of Mysore

I am directed to send you herewith a copy of a letter (b) with its enclosure, which His Highness has received from Mr. Barton, for your information.

Copy of D. O. No. P. 191, dated 30th October 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

Your D. O. letter of the 30th October, enclosing Mr. Barton's letter about Civil and Military Station surplus question.

Will you kindly tell me what reply His Highness has given so that I may take further action on the lines of our discussion at Mysore?

Confidential D. O. dated 30th October 1923 from the Private Secretary to His Highness the Maharaja to the Dewan of Mysore.

In reply to your letter received a little while ago, I write to say that His Highness has not written, and does not intend writing, to the Resident himself with reference to his letter on the subject of the Surplus Revenues of the Civil and Military Station.

His Highness will be obliged if you will kindly take an early opportunity of having a talk with the Resident on the lines of our personal discussion. If you cannot persuade him to fix the datum line at 12½ lakhs, it seems to His Highness advisable to close with his offer of 13 lakhs, subject to the conditions referred to in one of your recent letters. (I have not got the file with me here.)

I hope I have made my meaning quite clear to you.

Confidential D. O. No. P—192/3, dated 31st October 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

Please see your letter of the 1st September, of which I enclose a copy for facility of reference. I wrote to the Political Secretary accordingly. A copy of my letter is also enclosed.

The Political Secretary's letter in reply (copy enclosed) is significant. My complaint about the dual position of the Resident has evidently gone home and His Excellency did get impressed with what I said. As regards the policy of give-and-take in regard to the question of the surplus revenues, we are now pursuing it and I hope that within the next few days, something definite will be settled.

Confidential D. O. No. P. 198/Enr: 1, dated 3rd November 1923 from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja of Mysore.

With reference to your confidential D. O. letter dated the 30th ultimo, I write to inform you that I had a discussion with the Resident between 11 and 1:30 on that date, and I have personally explained to you what transpired at the discussion. The Resident agreed to go into the question of the datum line being fixed at 12.50 lakhs and promised to see if he could accept it. I left the matter to him at that and indicated rather vaguely that if he really and honestly thought that 13 lakhs would be the minimum, he might advise His Highness accordingly, but that His Highness really thought that 12.50 lakhs was a very reasonable and a fair datum line to fix, all the other conditions remaining the same. The Resident asked me to prepare a memorandum and I welcomed the suggestion as it gave me an opportunity of controverting some of the statements made by him in his letter to His Highness. If you see no objection, I shall send this memorandum to Mr. Barton immediately. This contains a full statement of the case and the conclusions as arrived at by us, taking all the facts into consideration and it is based on His Highness' final orders which have been communicated to me with your last letter.

MEMORANDUM.

Subject—SURPLUS REVENUES OF THE ASSIGNED TRACT OF BANGALORE.

With reference to the Resident's confidential demi-official letter to His Highness the Maharaja, dated the 25th October, which indicates generally the result of discussions between the Resident and the Dewan on the subject of an amicable settlement of the vexed question of the Assigned Tract Revenues, the following conclusions of His Highness' Government will now be recorded, as a result of another discussion with the British Resident on the 1st of November 1923, at Bangalore:—

1. His Highness' Government are in full agreement with the principle of settlement, *viz.*, that a datum line providing for the ordinary recurring expenditure on account of the administration of the Assigned Tract based on its actual needs and even allowing for some margin for the fluctuating items of expenditure from year to year may be fixed.

2. The surplus above the datum line should be divided in the proportion of three-fourths for the State and one-fourth for the Assigned Tract.

3. In fixing the datum line, the expenditure of any one year should not be taken into account but the average of at least three years including the current year should form the basis of the standard to be fixed.

4. The special grant of Rs. 50,000 to the Station Municipality should be excluded for the purpose of fixing the datum line, as it is not an obligatory expenditure of the Station and it is within the discretion of the Resident to increase or reduce it according to circumstances.

5. The datum line figure cannot be increased with reference to prospective expenditure on account of Public Works during the next few years, and any special works will have to be provided for from the development funds which will be forthcoming from one quarter of the share of the surplus according to the formula generally indicated above.

On the above principles, the Dewan first suggested a datum line of 11.75 lakhs against the Resident's 12.50. After a lot of discussion and give-and-take, the Resident reduced the datum line to 12 lakhs but insisted on the proportion of two-fifths and three-fifths on that basis. Subsequently, he offered a proportion of one-third and two-thirds on the basis of 12 lakhs. The Dewan's datum line of 11.75 lakhs was coupled with the suggestion of sharing the surplus above it in the proportion of three-fourths and one-fourth. At an intermediate stage, that is to say, between the offers of two-fifths and three-fifths and one-fourth and three-fourths, the Resident expressed his willingness to share in the proportion of three-eighths and five-eighths. The Resident has explained his reasons for urging for a higher datum line of 13 lakhs in case the proportion for division of the surplus is to be three-fourths and one-fourth.

Certain statements have been made in the Resident's confidential letter to His Highness which require a brief explanation. It is not correct to say that the fallacy of the Dewan's figures lies in his taking years of low expenditure and high revenue as normal features of the Station budget. As already stated, new works proposed which are not of a recurring character should not come up for calculation in estimating the datum line. From the figures regarding actual expenditure available, it is clear that the expenditure has grown very largely within the last few years and that the standard which was only about 8 lakhs in 1917-18 has been raised to 13 1/3 lakhs in the proposed budget for 1924-25. Without going into any detailed examination of these figures, it may be pointed out that the average expenditure, taking into account the three years for which actuals are available, namely, 1919-20, 1920-21 and 1921-22, was nothing above 10.33 lakhs for the Station itself deducting special grants. The average revenue for the same three years was about 20.86 lakhs. So, the average expenditure was roughly about half the average revenue. Taking again the figures for 1921-22, 1922-23, 1923-24, of which the first alone represents actuals and the rest are estimates, the expenditure of these years, excluding the special grant of half a lakh to the Station Municipality, was 10.80, 12.21, and 12.37 lakhs respectively, making a total of 35.38 lakhs which gives an average of 11.79 lakhs. This was really the basis of the Dewan's estimate of 11.75 as a suitable standard, for, it cannot be expected that the expenditure of the Station would show a progressive tendency to rise from year to year as it has done in the past without affecting stability. The fact that Mr. Barton himself has agreed to a datum line of 12 lakhs, although he asked for a higher share of the surplus, also indicates that for normal expenditure the provision of 12 lakhs is sufficient. The datum line estimate should not take into account any prospective expenditure on account of special or new items which, according to the general principles of the proposed settlement should be met from the share of the surplus revenues. It is not correct to say that the Dewan's proposal would strangle the development of the Station and keep it in a chronic state of insolvency; for, the very principle of a datum line is to assure adequate revenues for all purposes of ordinary administration of the Station and thus to stabilize its finances. If it is agreed that the datum line is to be 12 lakhs it does not seem to be a correct argument to urge that because it gets a smaller share of the surplus, that is, one-fourth instead of one-third, it is subject to the risk of insolvency. Moreover, the Resident's estimate of the future revenues is somewhat pessimistic and it is not likely that the revenues will go down below 20 lakhs, as is evident from his own estimate for 1926-27. Even if it does go down, in addition to the fixed datum line, the Station will have its share of the surplus and will thus be able to meet all its administrative needs and requirements of a recurring character including a margin. So, if the revenues go down, it is the State that is really affected; of course, the Station's

share of the surplus will also be reduced according to proportion formula but the reduction is only in the amount intended for optional expenditure. On the basis of the datum line of 11.75 lakhs and the revenue at 19 lakhs, the Station would still get 1.81 lakhs every year for improvement schemes. It cannot, therefore, be said that for the next four or five years there would be nothing to spend at all for improvements and that it would be necessary to starve Education and Hospitals. Lastly, it would not be fair to the State to base the calculation of the datum line on the enhanced standard of expenditure of 13.32 lakhs which is stated to be the estimate proposed for the budget of 1924-25 which year will commence five months hence. This standard is about half a lakh more than the level reached in the current year and what the excess is due to is not clear. Excluding the grant of Rs. 50,000 to the Station Municipality, in no year has up to date the expenditure reached the figure of 12.50 lakhs. A datum line of 12.50 lakhs is therefore a very reasonable provision as it is more than sufficient to meet the highest standard yet reached in any year by the ordinary recurring expenditure of the Station and as it also contains a margin (1) of 2.17 lakhs calculated with reference to the average actuals in the three years ending with 1921-22, (2) of .71 lakh based on the expenditure figures for the three years ending with the current, and (3) of .50 lakh even compared with the datum line of 12 lakhs suggested by the Resident himself according to one of the two alternatives proposed by him.

It is really not a question of smallness of the difference between the Resident's and the Dewan's proposals that is to decide which party should approach further to reach an amicable settlement. If the *datum line* is higher than what the needs of the Station demand, then there is not only appropriation of the part of the surplus within the *datum line* itself but a second appropriation out of the surplus under the sharing scheme. So, it is more a question of principle and His Highness' Government are anxious that the sharing scheme should adopt the formula of three-fourths and one-fourth, and His Highness is quite agreeable to spending a quarter of the surplus arrived at after a reasonable *datum line*, for development and improvement of the Station, within the limits of the reservation to be hereafter indicated.

The Resident's proposal to pay five lakhs out of the withheld surplus of 20.75 lakhs seems to be influencing his mind with reference to the fixing of the *datum line* at a higher limit. It is to be pointed out that taking a period of six years from 1918-19 into consideration, the annual average that would go to the share of the Station out of the surplus revenues would be 2.62 lakhs which should be considered as a very liberal provision for measures of improvement. The Station has already got 15.75 lakhs to spend in the course of the next two or three years within which period it would also be accumulating its own share of the surplus. Taking everything into consideration, His Highness' Government would like to represent that anything above 12.50 lakhs as *datum line* for recurring normal expenditure of the Station, would not be reasonable and His Highness' Government therefore feel that as it provides not only for the standard of expenditure under the various service heads as at present fixed but also a sufficient margin, this ought to be adopted for purposes of the compromise formula. A statement showing the result of the formula on the basis of division into three-fourths and one-fourth is attached. His Highness' Government agree to this formula subject to the following conditions which have been discussed with and agreed to by the Resident at the several informal conferences that have taken place :—

(1) Pro forma accounts to be maintained under the present system, irrespective of the result.

(2) The new agreement to be in force for a period of ten years and at the end of this period, it should be open to either to reduce, confirm or raise the datum line according to circumstances.

(3) The payment of Rs. 5 lakhs out of the withheld surplus of 20½ lakhs.

(4) Income from productive works financed from the revenues of the Station to be treated as revenue of the Assigned Tract. If the capital of any productive work is found both by the Station and the Station Municipality, the net revenue to be shared by them in the ratio of their contributions to capital.

(5) No part of the surplus to be set aside for forming a reserve for meeting future deficits.

(6) The new scheme should be brought into force from the year 1924-25.

Under the above arrangement, the State will certainly get much less than the average surpluses of the pro forma accounts which were due to it under the 1912 settlement for seven years successively from 1917-18.

In conclusion, His Highness' Government trust that by agreeing to 12.50 lakhs as the datum line, which is in excess of the actuals of any one year including the current year and which, making a detailed examination of the expenditure according to the pro forma accounts, provides for all its recurring charges as well as leaves a margin, a reasonable and adequate provision will have been made which should not only guarantee the maintenance of the administration on its present standard of efficiency irrespective of the gross revenues but also leave some margin for additional expenditure that may be required in any one year. Further, a share in the surplus gives the Station a reasonable scope for improvements. The Resident's argument that the Bangalore and Mysore City Municipalities have had large grants in the past from the State funds overlooks the main fact that the sanitary and public health conditions of these two cities bear no comparison with the Civil and Military Station. Very large expenditure had to be incurred to cut open congested areas and slums, and even now the slum conditions in the two cities are a thousand times worse than those prevailing in the Civil and Military Station. In recent years, even these grants have been considerably curtailed and the Bangalore City does not get more than Rs. 50,000 per annum. All the extension schemes of the City Municipality have been financed by themselves, and they have paid for the heavy cost of acquisition, for roads, drainage, electric lighting and other sanitary requirements.

In conclusion, it is His Highness' feeling that this controversy, which is a source of constant unpleasantness and friction, should be settled. His Highness has considered the matter from the Resident's point of view so far as the Station needs are concerned and it is hoped that the Resident also will look at it from His Highness' point of view and finally accept the formula now proposed.

In regard to the last paragraph of the Resident's letter in which he says "the stipulation regarding the reservation of available building ground for military purposes arising out of unforeseen requirements can be discussed further and there will be no difficulty about formulating a policy with a view to prevent over-building in the Station with its possible consequence of crowding out the military elements", it is necessary to say that the Resident is aware of the grave concern which His Highness has felt for some years past as regards any possible expansion of the Civil and Military Station in the future. The Resident has, on more than one occasion including the one at which the matter was discussed at Simla, hinted at the possibility of the Government of India giving an assurance to His Highness that the Station will not be expanded beyond the present limits and that no further applications for land, etc., will be made. The Dewan has suggested to the Resident that in effecting a settlement of the Assigned Tract Revenue question, the Resident may be good enough to make a declaration of policy in regard to this matter, which may be satisfactory to His Highness.

BANGALORE, }
3rd November 1923. }

A. R. BANERJI.

CIVIL AND MILITARY STATION SURPLUS REVENUE.

Statement showing the shares of the Civil and Military Station and the Mysore Government taking 12'50 lakhs as the Datum line.

Period	Total revenue of the Civil and Military Station	Datum line	Surplus over Datum line	Proportionate share	
				$\frac{1}{4}$ th to Civil and Military Station	$\frac{3}{4}$ ths to Mysore Government
	Rs.	Rs.	Rs.	Rs.	Rs.
1919-20 ..	20,22,213	12,50,000	7,72,213	1,93,053	5,79,160
1920-21 ..	20,56,900	12,50,000	8,06,900	2,01,725	6,05,175
1921-22 ..	21,77,914	12,50,000	9,27,914	2,31,978	6,95,936
1922-23 ..	20,37,296	12,50,000	7,87,296	1,96,824	5,90,472
1923-24 ..	21,70,000	12,50,000	9,20,000	2,30,000	6,90,000
1924-25 ..	18,91,800	12,50,000	6,41,800	1,60,450	4,81,350
Total ..	1,23,56,123	75,00,000	48,56,123	12,14,030	36,42,093

Confidential D. O. letter dated 3rd November 1923 from the Private Secretary to His Highness the Maharaja of Mysore, to the Dewan of Mysore.

Your D. O. of to-day. The memorandum seems to me to be perfectly all right and may go to the Resident. I am returning it herewith.

Copy of D.O. No. R. 35/En. 2, dated 4th November 1923, from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

With reference to our discussion last Thursday I now enclose a memorandum setting forth the final views of His Highness' Government on the question of the settlement of the Surplus Revenues of the Assigned Tract. I earnestly hope that a decision in accordance with these views may now be given by the Government of India with your support. A spare copy of the memorandum is also attached.

Copy of D. O. No. P. 198—En. 1, dated 4th November 1923 from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja of Mysore.

Please refer to your D. O. letter dated the 30th ultimo, enclosing for my information Mr. Barton's confidential D. O. letter to His Highness on the subject of the Civil and Military Surplus Revenues. I now submit for the kind perusal of His Highness a Memorandum embodying all our discussions and the final views of His Highness and His Highness' Government on the subject, which I sent to Mr. Barton at his request.

D. O. No. C. 2933/211.

THE RESIDENCY,
BANGALORE,
5th November 1923.

MY DEAR MAHARAJA SAHIB,

I had a further conversation with Mr. Banerji on the subject of the Assigned Tract revenues on the 1st November, but delayed writing to Your Highness till I had received from Mr. Banerji a written memorandum on some of the points raised.

Mr. Banerji told me that Your Highness considered the question as practically settled. It was true that you considered the datum line should be 12½ lakhs instead of 13, but if the Resident thought that 13 lakhs was the irreducible minimum, you would leave the responsibility of deciding the point with the Resident. Your Highness, however, hoped that the Resident on further consideration would agree with the views of your Government.

I very much appreciate Your Highness' kind message. I have again considered the point and very much regret that I find it impossible to agree to the lower datum line. I am not going to trouble Your Highness with a mass of arguments in support of my position. What I would like briefly to urge on Your Highness' consideration is this. From what Mr. Banerji has said and written it is the half lakh special sanitary grant that makes the difference in his computation. This must, he thinks, be excluded because it could be withdrawn or reduced by the Residency. Theoretically there is something in the argument. To apply it in practice is a widely different matter. The grant has been paid for 10 years and it could not possibly be withdrawn now. It is in fact regarded as a permanent grant. In principle it is a charge placed on the provincial revenues of the tract for carrying out a progressive policy of medical and sanitary administration in the Tract. It makes no difference that the Municipal Commission is the agency adopted by the Government of India for carrying out their policy. If the grant were to be withdrawn or substantially reduced, all the welfare work that is now being carried on would have to be given up. This is quite unthinkable in the case of a prosperous financial unit like the Assigned Tract, and I am sure Your Highness would not wish that the poor of the Station should suffer in order that the revenues of the State might benefit to a small extent.

Another point is this. To secure a settlement I have promised to recommend to the Government of India that 5 lakhs out of the accumulated reserve of 20½ lakhs now allocated to the Station be handed over to Your Highness' Government. This means ½ a lakh a year spread over a period of 10 years. This Station would be infinitely better off if things remained in *status quo*.

The datum line should, as I have said before, include new works in the Public Works budget. It is a fallacy to urge, as Mr. Banerji does, that they are not normal expenditure. The average of such works is always taken into account in a normal budget. We want an isolation hospital: bungalows for Officers: a new District Court: a Bench Magistrate's Court: a subjail, etc. This would give at least an average expenditure of 75 lakhs for 10 years, and our datum line should really be 13.75. I preferred, however, to face administrative difficulties rather than press for so high a figure.

Mr. Banerji, so far as new works under the P. W. D. are concerned, forgets the basis of the present negotiations, *viz.*, to fix a formula by which the surplus over and above the normal expenditure of the tract should be divided between the tract and the Mysore Government. Yet not only is the attempt made to push us below our normal expenditure by fixing the datum line at 12½ lakhs, but we are asked to exclude an estimate of the annual average of new works. The result would be to leave practically nothing for special development schemes. The statement appended will make the point clear.

Estimated Revenue	Datum line	Surplus	½ to Station	Actual estimated expenditure including '75 for new P. W. D.	Balance
19 lakhs	12.50	6.50	1.62	13.75	.47

The figure of 19 lakhs is probably what the revenue will be in 1924-25. In that year our normal expenditure is budgetted at 13·22 *plus* 3½ lakhs for new public works. If we allow a lakh for new public works we wipe the balance out entirely. It is an impossible position. We may be told that we should economise: that the scale of expenditure should be reduced. Small economies at the cost of efficiency are doubtless possible, but nothing on the scale that would be necessary, if a reasonable balance is to remain over. Our recurring expenditure is growing. There has been a complaint for years that the Police are inadequate: that the reserve Police should be increased. The Isolation Hospital will require an increased staff. Supposing the *datum line* is fixed at 13 lakhs, I cannot see much more than ½ a lakh or so available for special improvements in the next 10 years which is practically negligible. As I told Your Highness my proposals from the point of view of the Station are a mere gamble on revenues, and it is inconceivable that the revenues should expand to such an extent as to give the Station anything worth having with a mere ¼th share.

It is a question whether the Station is to have an additional Rs. 38,000 or the Mysore Government. (The Station does not get the full benefit of the ½ lakh as the amount to be shared is reduced by ¼ a lakh = Rs. 12,300 roughly in the case of the Station.) That is a sum which means nothing to Mysore. To the Station it is of the greatest importance and makes the difference between solvency by a narrow margin and practical bankruptcy. I cannot believe that Your Highness will wreck the hope of a settlement for so unimportant a sum.

I again strongly advise Your Highness to agree to the proposition I have put forward. It would be a graceful act if you would accept it without imposing on the Government of India the responsibility of themselves fixing the *datum line*. It would be greatly appreciated by the Government of India and I need hardly say that I should equally appreciate it as a mark of friendliness to the Residency.

If Your Highness would wire a reply I should be very grateful. His Excellency would, I know, be much gratified if the question could be settled before his visit, and there is not very much time left now. If Your Highness is unable to agree to my proposal may I take it that you leave it to the Government of India to decide whether the *datum line* is to be 13 lakhs or less? Should there be any points which Your Highness would like to discuss further, I should be delighted to go to Mysore within the next few days for the purpose.

I do not think there will be any difficulty about the various conditions laid down by Mr. Banerji.

With my best regards.

Yours sincerely,
W. P. BARTON.

To

HIS HIGHNESS THE MAHARAJA
OF MYSORE,
G.C.S.I., G.B.E.,
Mysore.

Confidential D. O. dated 7th November 1923, from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja.

His Highness has received a further communication from the Hon'ble Mr. Barton, a copy of which I am desired to send you herewith for perusal. I am writing to Mr. Barton to say that you will send him a reply soon (copy enclosed).

As you know, His Highness is quite willing to accept the datum line of 13 lakhs proposed by him, with three-fourths of the surplus accruing over and above that sum going to the State the remaining one-fourth being retained by the Station. The real trouble is as regards the exact interpretation of the term "datum line." What are all the items of expenditure supposed to be included

under that term? Is it to include, as we have all along thought, only the normal recurring expenditure of the Station, in accordance with the *pro forma* accounts, or is it to include, as the Resident now seems to assert, special grants for capital works also? You will see he mentions the works too, to illustrate his meaning. It seems rather a far fetched idea to include such items as the construction of an Isolated Hospital, bungalows for Officers, under "Normal Expenditure."

We have no objection to his spending the 13 lakhs which he will get annually for the next ten years in any manner that he pleases but we must take care that in agreeing to the 13 lakhs datum line we are not regarded as having agreed to the inclusion within that allotment of special grants for capital works, as such an arrangement would prejudicially affect our position in settling the datum line ten years hence.

Copy of D. O. letter dated 7th November 1923 from the Private Secretary to His Highness the Maharaja of Mysore, to the Hon'ble the Resident in Mysore, Bangalore.

His Highness desires me to acknowledge, with his thanks, the receipt of your letter of the 5th November, on the subject of the Surplus Revenues of the Assigned Tract, and to inform you that the letter is being forwarded to the Dewan to-night for a reply being sent to you as soon as possible.

His Highness was away at Ooty and returned only this afternoon, which accounts for the delay in acknowledging your letter.

Confidential D. O. No. P. 207/Enc. 1, dated 8th November 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

I have received your letter marked confidential dated the 7th November, regarding the Civil and Military Station Surplus Revenue, and I enclose a draft reply for His Highness' approval. A telephone message may be kindly sent to me to-morrow communicating His Highness' orders so that I may despatch it as early as possible.

Copy of D. O. No. R. 37, dated 8th November 1923 from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

His Highness has sent me a copy of your Confidential D. O. letter, dated the 5th November to him, and I am now desired to say that so far as the main questions at issue are concerned, the views of His Highness and His Highness' Government are fully set forth in my memorandum dated the 4th November 1923 which I sent to you in my D. O. letter No. 35 of the same date. I do not think it is necessary at this stage to go into any more calculations or arguments on the subject. You state correctly in paragraph 2 of your letter our position and His Highness has left the responsibility of deciding the point of fixing a *datum line* with you. I have really very little more to urge. I have already informed you personally that His Highness will be quite willing to accept the *datum line* of Rs. 13 lakhs proposed by you, if you think that it is the irreducible minimum. I am, however, to add that by agreeing to this figure His Highness' Government should not be taken as giving their consent to including within the *datum line* expenditure the items which cannot be considered as the normal recurring expenditure of the Station in accordance with the *pro forma* accounts or to include, as your last letter to His Highness seems to suggest, special grants for new Public Works.

I am again to urge for your consideration that the point regarding which there is still a difference is not merely the question as to who is to get the small sum of Rs. 38,000. This, as you say, is nothing to Mysore and His Highness is not very particular about it. The main question that I have so often urged for your consideration is that in fixing the *datum line*, all items of expenditure which are not of a recurring character and which do not relate to the normal administration should be left out of account; and as long as this principle which we wish to urge is borne in mind, it matters little whether the *datum line* amount is Rs. 12.50 lakhs or Rs. 13 lakhs. But I was hoping that with the detailed explanation which has been given in the Memorandum, we will have succeeded in convincing you that the amount of Rs. 12.50 lakhs was reasonable and fair.

With these observations, I am to say that His Highness will have no objection to accept the *datum line* of Rs. 13 lakhs proposed by you with $\frac{3}{4}$ of the surplus accruing over and above that sum going to the State, the remaining $\frac{1}{4}$ being retained by the Station, subject of course to the other conditions that I have set forth on page 6 of my Memorandum dated the 4th November.

Copy of D. O. letter dated 10th November 1923 from the Private Secretary to His Highness the Maharaja of Mysore to the Dewan of Mysore.

Telephone Message dated the 9th November 1923.

"His Highness approves of the draft reply to the Residency. I would suggest addition of just one word to make our meaning perfectly clear, namely, "New" immediately before 'Public Works' in last sentence on the first page of your draft. Private Secretary."

THE RESIDENCY,
BANGALORE,
10th November 1923.

MY DEAR MAHARAJA SAHIB,

I have received from Mr. Banerji a letter in which he intimates that Your Highness agrees to the 13 lakh *datum line* subject to certain conditions. I do not think the Government of India will have any difficulty in accepting the conditions. I can see no objection to the proposition that the principles governing the computation of the *datum line* should be re-examined 10 years hence and that the fact that the Mysore Government have agreed to the 13 lakh *datum line* should not be taken as implying that they have agreed to the inclusion for all time of any particular charge or group of charges in the normal expenditure.

I think there is reason to hope that the Government of India will agree to the formula, in which case this long and weary dispute will have been settled, I hope, to Your Highness' satisfaction. For my own part I feel that the proposed settlement redeems the pledges given to the Mysore Government from time to time. The people of the Tract may think they have not been liberally treated but at least the solvency of the Tract budget is assured and if the revenues improve to some extent we may hope to have a little money later on for the further relief of congestion. I am afraid the 4 lakh market will go, but that it is a detail.

I should like again to express my warm thanks to Your Highness for the courtesy, the kindness and the patience you have shown in considering the many difficult points arising in the negotiations for the settlement of this question. I am sure His Excellency the Viceroy will greatly appreciate the attitude you have taken up.

I hope Your Highness' knee is quite recovered.

With best regards.

Yours sincerely,
W. P. BARTON.

HIS HIGHNESS THE MAHARAJA OF MYSORE,

G.C.SI., G.B.E.,

The Palace,

Mysore.

*Confidential D. O. No. C. 2948—211, dated 12th November 1923 from the
Hon'ble the Resident in Mysore, to the Dewan of Mysore.*

Many thanks for your confidential and demi-official letter No. R. 37, dated the 8th November 1923, regarding the Assigned Tract surplus.

I have again carefully considered the question, and the result is only to increase conviction in my mind that a 13 lakhs *datum line* is the irreducible minimum if the administration of the Tract is to be maintained at its existing standard, and a small margin left over for special development schemes. You will, I think, agree that it has been understood throughout the negotiations that the settlement should admit of a reasonable scale of expenditure in the Station on special grants. And one of the main issues was how to determine in rough outline the scale of such expenditure. This being the position, it was fairly obvious that, if the proportion was to be as low as $\frac{1}{4}$ th for the Tract, we should have to include a rough average of the "non-special" expenditure, of a kind essential to the administration of the Tract, *e.g.*, Police Stations, Law Courts, bungalows for officers, in determining the average annual expenditure. Courts and bungalows, offices and an Isolation Hospital can hardly be described as "special" expenditure in the sense in which the term has been used in the correspondence, and unless some account has been taken of such expenditure in fixing the *datum line*, there would have been practically nothing whatever for special grants in the next 10 years. There will be very little as it is.

I note that His Highness now accepts the *datum line*, subject to the condition that it must not be understood that the principle of including in the normal expenditure for the purpose of the *datum line*, expenditure which is not of a necessary character, shall not be considered as binding on the Mysore Government, when the *datum line* is re-considered 10 years hence. I do not think the Government of India will have any difficulty in agreeing that the principles on which the *datum line* is to be fixed shall be re-examined at the close of the 10 years period in the light of the experience gained. The other conditions referred to on Page 6 of your Memorandum of the 4th November will, I hope, prove acceptable to the Government of India.

I now propose to refer the whole case to the Government of India. I venture to hope that they will accept the formula, thereby settling this long outstanding difference.

*Copy of D. O. dated 13th November 1923, from the Dewan of Mysore, to the
Private Secretary to His Highness the Maharaja of Mysore.*

I enclose, for favour of submission to His Highness, copy of a letter received from Mr. Barton on the subject of the Assigned Tract surplus.

*Confidential D. O. No. C/2957/211, dated 15th November 1923 from the Hon'ble
the Resident in Mysore, to the Dewan of Mysore.*

With reference to my confidential and demi-official letter No. C/2248/211, dated the 12th November 1923 regarding the proposed settlement of the question of the division of the surplus of the Assigned Tract, I write to say that it is of course understood that any charges already incurred and debitable to the surplus in the ordinary course will, if not so debited before the settlement comes into force, be deducted from the amount payable to the Durbar, on the principle that they

should have been deducted before the surplus due on account of this year is handed over. I refer to the question because experience has shown that furlough pay of officers is often not finally adjusted till two or three years after it has been drawn. The Station budget under the proposed scheme could not be expected to bear charges which should have been debited to the surplus under the old system.

Confidential D. O. letter dated 16th November 1923 from the Private Secretary to His Highness the Maharaja of Mysore to the Dewan of Mysore.

Mr. Barton's letter* to His Highness, of which a copy is enclosed for your information, has to be acknowledged. I am enclosing draft of a reply to it. I shall be obliged if you will kindly let me know if it is all right. There are one or two controversial points in that letter, and His Highness' reply has to be guardedly worded.

Copy of D. O. letter, No. P. 225, dated 19th November 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

As requested in your letter dated the 16th November 1923, I am suggesting a draft of a reply to Mr. Barton's D. O. letter regarding the Assigned Target Revenues. Subsequent to the receipt of his D. O. letter No. C. 2948—211 dated the 12th November 1923, copy of which I submitted for His Highness' information with my D. O. letter from Madras dated 13th November 1923, I have received another D. O. letter from him (copy enclosed)** and I am now consulting the Financial Secretary as to whether this principle can be accepted. I hope Mr. Barton will not now raise new issues and delicate questions.

ENCLOSURE.

Draft of the letter from His Highness to the Resident.

I was glad to receive your letter of the 10th November from which I learn that there is reason to hope that the Government of India will agree to the formula that we have arrived at to settle the question of the Surplus Revenues of the Assigned Tract, subject to certain conditions suggested by us. I greatly appreciate the interest and trouble you have taken to settle this difficult matter, and when it goes through, I am sure it will give us all satisfaction as being the happy termination of a long pending controversy.

Many thanks for your kind enquiries about my knee which, I am glad to say, is quite recovered.

Hope that you are both keeping fit and well.

Confidential D. O. No. P. 229/Enc. 1, dated 20th November 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja of Mysore.

I enclose herewith, for His Highness' kind perusal, a copy of D. O. letter that I am sending to the Resident in Mysore in reply to his letter No. C. 2957/211,

* (Resident's letter dated 10th November 1923 already printed.)

** Do 15th November 1923 do

dated the 15th instant, (a copy of which has already been sent to you with my D. O. letter No. P. 225, dated the 19th instant) regarding the proposal to debit the State's share of the future surpluses when the new scheme comes into force, with the charges relating to the period prior to its introduction.

Copy of D. O. No. R. 40, dated 20th November 1923 from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

I have received your D. O. letter No. C. 2957/211, dated 15th November 1923, regarding the proposal to debit the State's share of the future surpluses when the new scheme comes into force, with the charges relating to the period prior to its introduction. The surplus of a year is calculated by taking the cash receipts and cash payments relating thereto, and deferred revenues and deferred charges are not, for the purpose of the account, taken into consideration. If any provision should be made for deferred liabilities being debited to future surpluses, it will be equally necessary to provide for deferred items of revenue. There will always be some items of revenue belonging to a year but realised in a subsequent year in the same way as there will be liabilities of one year coming up for discharge in a later year. It is usual to overlook these factors working in opposite directions in calculating the surpluses of any administration.

The introduction of a reservation of the kind proposed by you which, for reasons stated above, will have to be enlarged in respect of deferred items of revenue, will make the new arrangement difficult of working and it will also have the effect of unsettling the new settlement.

If the object of the proposal is only to provide for furlough pay delayed in adjustment, I do not think it is worth while making a separate provision for it. The charge on this account will, after all, be a small item and it can, I think, be easily met from the *datum line* or the share of surplus of the Station.

One of the objects with which the *datum line* has been fixed as high as it has been, is that the calculation of the divisible surplus of a year and its distribution between the two parties should be made quite simple and free from any consideration of the transactions of previous years.

I would, for the reasons stated above, request that no further modification of the settlement be suggested and that the proposal made in your letter under reply may not be pressed.

Confidential D. O. No. C. 2981/211, dated 22nd November 1923, from the Hon'ble the Resident in Mysore to the Dewan of Mysore.

I write to acknowledge the receipt of your confidential and demi-official letter No. R. 40, dated the 20th November 1923, regarding the proposal to debit the State's share of the future surpluses when the new scheme comes into force, with charges relating to the period prior to its introduction but not adjusted till afterwards. I hope with you that this contingency may not arise, and that it may not be necessary to pursue the matter.

Copy of D. O. No. P. 236, dated 23rd November 1923 from the Dewan of Mysore to the Private Secretary to His Highness the Maharaja.

In continuation of my D. O. letter No. P. 229, dated 20th November 1923, I enclose herewith, for His Highness' information, copy of a letter that I just

received from Mr. Barton stating that the proposal to debit the State's share of the future surplus when the new scheme comes into force with the charges relating to the period prior to its introduction need not be pursued under the circumstances mentioned in my letter to him dated the 20th November 1923, a copy of which has already been submitted to His Highness.

Copy of D. O. No. P. 239/Enc. 1, dated 27th November 1923 from the Dewan of Mysore, to the Private Secretary to His Highness the Maharaja of Mysore.

I have carefully read the Resident's letter dated 12th November 1923, copy of which I sent you with my D. O. letter dated the 13th instant and I do not think we need object to his having the freedom of meeting some items of special expenditure from the *datum line* of Rs. 13 lakhs. His statements however have reference to the Settlement and not to the *datum line*. He says: "You will, I think, agree that it has been understood throughout the negotiations that the *settlement* should admit of a reasonable scale of expenditure in the Station on special grants."

In our discussions we objected to the inclusion in the *datum line* of special expenditure with the object of reducing the *datum line* itself. Now that the *datum line* has been fixed at Rs. 13 lakhs, it is immaterial to us what kind of expenditure is met from the *datum line* provision. If anything, the inclusion of special and non-recurring items in it is favourable to us as it will strengthen our hands in asking for a reduction of the *datum line* at the next settlement. Special outlay incurred for a decade should reduce the need for such outlay thereafter. Besides, it is best to encourage an arrangement according to which the whole amount of Rs. 13 lakhs will not be spent upon recurring charges necessitating the repetition or even an enhancement at the next settlement of the *datum line* now fixed.

The only objection to the freedom proposed by the Resident is that the character of the *datum line*, as we understood it, would be altered. It would be a provision not only for the ordinary administration but also for some special items of the kind mentioned by the Resident. We are not, however, now interested in pursuing this side of the question especially in view of the statement made in the first sentence of para 3 of the letter under consideration that the inclusion of special items in the *datum line* of the present settlement will not make it obligatory on us to agree to a similar arrangement at the next settlement. The Resident, however, has all along contended that the *datum line* should include some margin for special charges. His present letter affirms the same contention.

There is only one point more to which I should like to invite attention. It ought not to be necessary to spend on special objects anything more than the share of the surplus which the Station gets: in other words, there should, strictly speaking, be no margin included in the *datum line* and that the *datum line* now allowed has been drawn higher than it should be. There is, however, no use now in discussing this question as the *datum line* has been finally agreed to.

I enclose a draft reply for favour of obtaining His Highness' gracious approval.

*Extract from His Excellency the Viceroy's Banquet Speech at Mysore,
29th November 1923.*

"As regards the question of the use of the surplus revenue of the Assigned Tracts, I am glad to find that definite proposals, approved of by Your Highness' Government have been sent forward to my Government by the Resident. I trust that this problem will shortly be solved in a manner agreeable both to the interests of Your Highness' State and to my Government."

Copy of D. O. letter dated 14th December 1923, from the Private Secretary to His Highness the Maharaja of Mysore, to the Dewan of Mysore.

I am directed to acknowledge the receipt of your D. O. letter No. P. 239, dated the 27th November, enclosing a draft reply to the Resident.

His Highness approves of the draft letter. A sentence has been added to your draft in order to strengthen our position if and when the *datum line* has to be considered again ten years hence. This may be retained if you see no objection.

Copy of D. O. No. R. 46, dated 15th December 1923 from the Dewan of Mysore to the Hon'ble the Resident in Mysore.

I have received your D. O. No. 2948/211, dated 12th November 1923, regarding the Assigned Tract Surplus.

In view of what you have stated, His Highness' Government have no objection to your meeting special expenditure of the kind mentioned in your letter from the *datum line* provision. This arrangement, is, of course, subject, as stated by you, to the condition that the "inclusion in the normal expenditure for the purpose of the *datum line*, expenditure which is not of a necessary character, shall not be considered as binding on the Mysore Government when the *datum line* is reconsidered ten years hence." His Highness' Government feel convinced that the share of the surplus accruing to the Civil and Military Station should satisfy all its reasonable requirements in the future.

Letter No. Pol. 602/G.F. 80-23-1, dated the 29th December 1923 from the Financial Secretary to the Government of His Highness the Maharaja of Mysore, to the Secretary to the Hon'ble the Resident in Mysore, Bangalore.

The surplus of the Civil and Military Station for the year 1922-23 which closed nine months ago, has, it is believed, been now ascertained. A sum of Rs. 5 lakhs is also payable to the Government of Mysore under the new settlement agreed to by the Hon'ble the British Resident and the Mysore Government towards the arrears of the three years beginning with 1918-19. I am directed to request that these two amounts may be adjusted against the first instalment of the subsidy payable in January 1924 and that the balance due after such adjustment may be intimated for cash payment. Such an adjustment will be greatly appreciated by His Highness' Government and prove of great convenience during these anxious months when a large cash expenditure on account of relief operations has to be faced.

SUBMITTED TO HIS HIGHNESS.

The surplus of the Civil and Military Station for the year 1922-23 is payable to us in the current year and we have not yet heard as to when this payment will be made. The surplus for the year 1921-22 was paid to us in March 1923 and the payment due this year also may be put off till March next. There is, besides, a sum of Rs. 5 lakhs which, it has been settled should be paid to us out of the arrears for the three years beginning with 1918-19. These two items will exceed Rs. 12 lakhs and it will be of great help to us in our cash operations if we can have this amount adjusted against the first instalment of Rs. 17½ lakhs of the subsidy payable

to the British Government in January 1924. When a large amount payable to us is already held by the Government of India, it is not fair that we should be asked to pay our dues in full and wait for the money due to us. Our request for the adjustment of the amounts due to us as far as they go towards the first instalment of the subsidy cannot be considered unreasonable and the Residency has, accordingly, been requested to kindly have the adjustment made and intimate to us the balance for payment in cash.

I submit the letter addressed to the Residency for the gracious information of His Highness.

BANGALORE,
31st December 1923.

A. R. BANERJI,
Dewan.

Copy of Residency letter No. 121/606-1899, dated the 8th January 1924, to the Financial Secretary to the Government of Mysore.

With reference to your letter No. 602—Pol., dated the 29th December 1923, I am directed to state that the *pro forma* account of the Civil and Military Station of Bangalore for the year 1922-23 has been sent to the Accountant General, Central Revenues, Calcutta for verification and that the surplus for that year cannot be adjusted till the account has been finally verified by him. He has been reminded in the matter by telegram.

2. As the new settlement referred to by you has yet to be approved by the Government of India and also, it is believed, by the Secretary of State, no adjustment of Rupees five lakhs can be made until formal sanction has been received.

3. I am, however, to add that the representation of His Highness's Government in the matter has been submitted to the Government of India for orders.

Letter No. Pol. 641—G. F. 80-23-3, dated the 10th January 1924 from the Financial Secretary to the Government of His Highness the Maharaja of Mysore, to the Secretary to the Hon'ble the Resident in Mysore.

I am directed to acknowledge the receipt of your letter No. 121, dated 8th January 1924 regarding the adjustment of the surplus revenues of the Civil and Military Station due to the Government of Mysore towards the first instalment of the subsidy payable in the current month. As stated in my previous letter, the adverse seasonal conditions of the year have altered for the worse the cash calculations made at the Budget time and it has become necessary to utilise towards the subsidy, the amounts payable on account of the surplus revenues of the Civil and Military Station. The year in respect of which the surplus is due closed nine months ago, and pending verification, at least 7 lakhs may be adjusted towards the Subsidy. As the payment of a sum of Rs. 5 lakhs towards the arrears of the three years beginning with 1918-19 is one of the conditions of the new settlement agreed to both by the Government of Mysore and the Hon'ble the British Resident, I again request that the Hon'ble the British Resident may be kind enough to address the Government of India to permit of this adjustment and orders obtained, if necessary, by telegram as there are only 20 days left for the payment.

Copy of letter No. 812, dated the 25th January 1924 from the Residency to the Financial Secretary to the Government.

With reference to the correspondence ending with your letter No. 641—Pol., dated the 10th January 1924, I am directed to state that the Government of India have been pleased to accept the Mysore share of the surplus revenues of the Civil